

**EFFECTS OF SUSPENSION OF TRAIN FERRY SERVICES ON TRADE
IN THE GREAT LAKES REGION OF EASTERN AFRICA**

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A Research Project Submitted in Partial Fulfillment of the Requirements for the
Award of Degree in Master of Business Administration, School of Business,
University of Nairobi.

August, 2012

DECLARATION

I declare that to the best of my knowledge this research project is my original work and has not been presented for the award of a degree at any other University

 Signature. U J m ^ V ^ ^ Date..(o|..)|.

Franklin Nkonge Thurania

D61/8321/2006

This research project has been submitted with my approval as the University Supervisor

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DEDICATION

I dedicate this work to my father, the late A/ub M'murungi M'Thiuru for his commitment to the education of his children at a time few of his colleagues valued education. His appreciation of education knew no bound; and he went against the odds, "wisdom" and advice from his peers to see his children, particularly the girls, through high school.

I would not be where I am today were it not for his wisdom and fore-sight.

May God bless his soul

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To my immediate family members, I thank you all for your moral, material and financial support that enabled me to carry on with the MBA project even when the odds were stacked against the effort. My wife Agnes Karegi was especially supportive as were my children Tuesday Murimi and Derrick Murangiri, to whom I extend wholesome thanks. Special thanks go to my mother Martha Gaturo Mbobua for her encouraging words during the entire period I was pursuing the MBA programme.

I wish to thank my fellow MBA colleague with whom I shared time in preparing for term papers and assignments for their cooperation and contributions. In this regard, MS Annabel Mugo stands out. We met at the registration desk and shared consecutive registration numbers and our cooperation continued until she completed her programme ahead of me.

I also wish to thank the management of the University of Nairobi for giving me an opportunity to pursue the MBA programme at this great university, which I am very proud of. The serene and attractive learning environment was invaluable.

ABSTRACT

Water transport is considered to be the cheapest mode of transport in the world. The Great Lakes Region of Eastern Africa is endowed with large water masses that, if properly harnessed and utilized, can play a facilitate e role in enhancing inter-state trade within the region. The main lakes include Victoria, Albert, Kivu, Kyoga, Tanganyika and Malawi. Rivers Nile and Kagera are also navigabk to a certain extent. The British and Belgian colonial masters played their roles in pionee-ing the survey and launch of lake steamers and ships in these water masses but the emerging independent African states have only succeeded in running down the facilities. The existent e of the Lake Victoria Marine Services (Train Ferry transport) dates back to the late 19^h century when the then Uganda Railways reached the lake head at Kisumu. The IBEA Compar., that was then administering the territory where the railway passed launched steamers on ihe lake at Kisumu, with the first boat being commissioned in 1903. The services continued to expand and by the early 1960s, the lake transport network was well developed. The services formed an important link to the rail which had up to early 1930s not been extended o Uganda. Goods arriving by trains connected directly to the ships, on to the destination With the construction of the central line in Tanganyika by the Germans, the marine services formed an efficient intermodal interchange from rail to lake and then to road and vice-versa. In this way, the services contributed to an increase in trade, employment and reduc ion in poverty. This is the service that was suspended by the new private company thi t took over the running of Kenya and Uganda Railway networks. The objectives of this sudy were to inquire into the importance of the Train Ferry services on trade in the Great Lai es Region of Eastern Africa and the effects of its suspension on this trade. The study employ :d the case study method. Interviewees from five major companies that used the ferry services prior to its suspension were interviewed using an interview guide. Their responses were recorded and the contents of the data collected analyzed for consistency. This has been picmented using percentages, mean scores and line graphs. The research findings of the study arc that the suspension of the Train Ferry services had a great impact on all the companies involved in the study. The main and most immediate effect was a lack of a cheaper, reliable, predictable and dependable means of transporting their goods across the region. They faced longer routes and increased cost of transport. They were, however, able to adjust quickly to the situation by looking for other, albeit more costly and less efficient, means of transport to ensure that the goods reached the market. The companies viewed the ferry services as verv important and prayed for their re-instatement. Among the areas suggested for improvement by the interviewees was managerial support. The respondents were unanimous that there was a lack of such support in the past. They wished that in the event of re-instatement, this palicular issue would be given prominence. The respondents also felt that it was important for ihe link between the rail and the lake to be made seamless to avoid situations where goods vere held at the interchange point inordinately awaiting trains and or ferry connections. Tiie respondents further emphasized the need to ensure that both the ferries and trains were t(clinically sound to ensure an even more efficient service. Other suggestions were to lower th': transportation rates which the respondents felt were unreasonably high, and to introduce vessels of various sizes that would cater for small, medium and large customers.

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ABBREVIATIONS AND ACRONYMS

ARM.....	Athi River Mining
BPCC.....	Bamburi Portland Cement Company
DRC.....	Democratic Republic of Congo
EARC.....	East African Railways Corporation
GDP.....	Gross Domestic Product
IBEA Co.....	Imperial British East Africa Company
ISO.....	International Standards Organization
MSCL.....	Marine Service Company Limited
KRC.....	Kenya Railways Corporation
PTA.....	Preferential Trade Area
R & D.....	Research & Development
RVR.....	Rift Valley Railways
SME.....	Small and Medium Enterprises
TPA.....	Tanzania Ports Authority
' RC.....	Tanzania Railways Corporation
11CA-NC.....	Transit Transport Coordination Authority of the Northern Corridor

CHAPTER ON* : INTRODUCTION

1.1 Background of the Study

Lake Victoria forms an important artery for the transport services connecting Kenya, Uganda and Tanzania and by extension the rest of the Great Lakes Region of Eastern Africa. In 1964, the East African Railway & Harbours administration commissioned two train ferries to ply the lake at a cost of £ 1.5 million (O'Connor, 1965). The two ferries, christened MV Umoja and MV Uhuru, have a capacity for 22 rail wagons on board, equivalent to one standard train length. Their commissioning thus essentially interlinked the lake and the rail to provide a seamless movement of goods across the region.

On November 1, 2006, the governments of Kenya and Uganda surrendered the operation of the Railway and Train Ferry services to Rift Valley Railways, a private consortium that had won the concession to operate the services for twenty five years. The new operator, however, soon suspended the Train Ferry services, ostensibly to allow for rehabilitation of the ferries. The services have remained suspended since then, the effects of which forms the raison d'être for this study.

1.1.1 Regional Trade

Regional trade refers to a group of countries cooperating to dismantle barriers that would threaten gains resulting from specialization and trade (Wild et al, 2000). Regional trade involves all commercial activities between two or more countries within a defined area (Hough & Newland, 2005). The commercial activities involve the movement of resources, goods, services and skills over international borders, where its sources refer to people, raw materials, capital and technology. Services include accounting, advertising, communications, computing, advisory, educational, legal and banking, among others. Skills are both managerial and technical.

The benefits of regional trade are many and varied. They include increased trade and access to wider choice of low cost, high quality goods and services. Regional trade also offers an access to advanced technologies and increased employment. It facilitates movement of labour and ensures expansion of production by reducing production bottlenecks. Regionalization of trade also enables industries to compete within the domestic, regional and the international market (Hough & Newland, 2005). Regionalization and globalization have created a shift towards a more

integrated and inter-dependent regional and world economy. This is occurring in terms of either regionalization of the market or regionalization of production, or both. On the other hand, telecommunication is creating a global audience, while transport is creating a global village (Hill & Jain, 2006).

1.1.2 Train Ferry Services in Lake Victoria

A Train Ferry is a ship designed to carry railway vehicles on board. Typically, one level of the ship is fitted with railway tracks and the vessel has a door at the front and rear to give access to the wharves where it docks. The wharf has a link-span balanced by weights that connects the railway proper to the ship. The chief advantage of the Train Ferry lies in the fact that it removes any interference with the goods. Rail wagons are shunted onto it at one port and shunted out at the other, and by so doing working through from one port to the other. (Mikes Railway History, 2009).

Although not fully exploited, water transport on Lake Victoria plays an important role in the movement of transit cargo. The ferry links on Lake Victoria between Port Bell, Jinja, Kisumu and Mwanza form an integral part of the rail network in the Northern Corridor. The rail - lake route Mombasa - Kisumu - Kampala is 1242 km which is 91 Km shorter than the Mombasa - Malaba - Kampala route which is 1333 Km. A report by the Transit Transport Coordination Authority of the Northern Corridor (TTCA-NC), indicates that the nations of Rwanda and Burundi have been very anxious to utilize a ferry link between Kisumu and Kemono Bay, on the south-western side of the lake which would shorten the distance from Mombasa to their respective capitals considerably. (TTCA-NC Infrastructure Report, 2010). This effort has, however, been seriously compromised by the action to suspend the ferry services. The first known Train Ferry was built and opened in 1833 by the Monkland and Kirkintilloch Railway on the Forth and Clyde Canal in Scotland. (Wikipedia, 2010).

1.1.3 The Great Lakes Region of Eastern Africa

The Great Lakes Region of Eastern Africa refers to the area lying between northern Lake Tanganyika, western Lake Victoria, and lakes Kivu, Edward and Albert. It encompasses the countries of Burundi, Rwanda, North-Eastern D R Congo, Uganda, north-western Kenya and

northern Tanzania. The term is otherwise also used in a wider sense to extend to all of Kenya and Tanzania. (Wikipedia, 2010).

Except for Tanzania and Kenya, the rest of the countries of the region are landlocked and rely mainly on the ports of Mombasa in Kenya and Dar-Es-Salaam in Tanzania to conduct international trade. The Democratic Republic of Congo (DRC) is not landlocked but the distance from its eastern region to its ports on the Atlantic coast and an almost non-existent infrastructure makes trade in its Eastern region through its ports not an option. Because of the density of population and the agricultural potential in the region, robust trade has flourished over the years (Wikipedia, 2010).

The Great Lakes Region of Eastern Africa is endowed with abundant agricultural, mineral and human resources. The region also has a fairly good infrastructure in telecommunications, railways, roads and ports. Lake Victoria has served as an important trade link in the region from time immemorial. The Train Ferry services have over the years played a key role in the development of trade and commerce and, by extension, the political, social and economic sectors of the Great Lakes region of Eastern Africa. In 1961, the total volume of East African Railways & Harbours traffic on Lake Victoria was 237 100 tonnes (O'Connor (1965). By 1976 just one year before the break-up of the East African Community, this had grown to 2.5 million tonnes (EARC Annual Report, 1978).

1.2 Research Problem

Regional trade involves commercial activities between two or more countries within a defined area. The commercial activities entail movement of resources, goods, services and skills over international borders. Services include accounting, advertising, communication, computing, advisory, educational, legal and banking. Skills are both managerial and technical. The benefits of regional trade include increased trade and access to wider choice of low cost, high quality goods and services, as well as offering access to advanced technologies and increased employment (Hough & Newland, 2005).

Trade in the Great Lakes Region of Eastern Africa, as in any other region, depends on the existing network of transport and communication infrastructure to thrive. The region, particularly the eastern region of the Democratic Republic of Congo is severely constrained by poor transport

infrastructure and relies almost exclusively on the ports of Mombasa and Dar-Es-Salaam for its international trade. The same applies to the landlocked states of Rwanda and Burundi, which are landlocked. The shipping services in Lake Victoria were intended to form a seamless link from rail to lake and then to road and vice versa to facilitate the movement of goods across the region quickly and cost effectively. The suspension of the lake services in 2006 has therefore severely constrained this trade. It is therefore important to carry out a study to establish the extent to which trade has been affected by this suspension.

A few local studies have been carried out regarding various aspects of trade in the Great Lakes region of Eastern Africa. The studies focus mainly on the activities of small and medium size local companies venturing into the regional market either to sell or set up shop in neighbouring countries to take advantage of the growing regional integration. Ekeno (2010) studied the challenges of internationalization of Kenyan Small & Medium Enterprises (SMEs) while Otim (1976) carried out a critical analysis on Kenya's exports to the neighboring countries. Keire (1993) studied the constraints that Kenyan firms faced in exporting to the Preferential Trade Area of Eastern and Southern Africa (PTA). Kinuthia (2002) carried out an investigation into the factors that influence export trade, citing the case of the manufacturing firms in the pharmaceutical industry in Kenya. On the other hand, Rahedi (2004) inquired into the effects of the Common Market for Eastern and Southern Africa (Comesa) on the export of manufactured products from Kenya. Wanjiru (2009) studied the effects of the East African Community on cross-border trade at the Malaba border, while Capacha (2002) investigated export trade between Zambia and Kenya with a focus on the factors that make the Kenyan edible oils industry competitive.

The research problem here was therefore to develop a better understanding of the effect on trade in the Great Lakes Region of Eastern Africa of the suspension of the Train Ferry services. This researcher is not aware of any local study that has been undertaken in this area. The emerging research questions on this study therefore were; what was the role played by the Train Ferry services on trade in the Great Lakes Region of Eastern Africa? Did the suspension of the Train Ferry services in Lake Victoria affect trade activities in the Great Lakes region of Eastern Africa in any way?

1.3 Research Objectives

This study had two objectives:

- i To establish the role played by the Train Ferry services in facilitating trade in the Great Lakes region of Eastern Africa
- ii To establish whether the suspension of the Train Ferry services in Lake Victoria did have a negative and profound effect on trade activities in the region.

1.4 Value of the Study

This study will strive to show the importance of transport infrastructure in promoting trade and commerce in the Great Lakes region of Eastern Africa. In particular, it will show the benefits of integrating the various modes of transport i.e. road, rail and water to create a seamless transport service. A seamless service reduces the cost of doing business and increases efficiency.

The study will provide additional information to the body of literature in the field of trade in the Great Lakes Region of Eastern Africa and the value of the Train Ferry services in facilitating this trade. It will also provide further knowledge in the field of railway concession arrangements. In addition, the study will shed more light on the importance of Lake Victoria as a regional trade link in the Great Lakes region of Eastern Africa. Finally, the study will give room for extensive research on the importance of infrastructure on trade in the region.

The study is important to the management of the Rift Valley Railways Company. It will help the company assess the potential loss of earnings arising from the suspended services and the need to take urgent measures to revive it. The company is paying concession fees to the governments of Kenya and Uganda for the Train Ferries and associated assets that largely remain idle.

For other organizations that run similar services as Rift Valley Railways, the study will enable them examine how best to integrate their services in order to offer more efficient services. Such integration comes with reduced costs as numerous transshipments of goods are avoided. Reduction of physical handling of goods enroute also reduces pilferage and damage. The goods are handled only once at the originating point in spite of the multiple modes of transport, hence handling costs are significantly lowered.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter sets the study subject in a broader context through investigation of relevant literature and other sources. The review will cover the following topics: international and regional trade, reasons and importance of region A trade, factors influencing regional trade and globalisation. The chapter presents the conceptual framework for the study. According to Polit (1999), a literature review comprises the searching, identification and understanding of information relevant to the research topic. Demisey (2000) observes that the researcher starts reviewing the literature once the problem has been identified. The literature review provides the researcher with information pertinent to the study and indicates what research has already been done on the topic under study. Reasons for conducting the literature review includes avoiding duplication of a previous study, enabling the researcher to develop a relevant framework for his/her research, providing ideas about the study, revealing research strategies and guiding the researcher in discussing the results of the current study by comparing and contrasting specific study's results with those previously reported.

2.2 International and Regional Trade

International trade involves activities that cross national boundaries and entails movement of goods, capital, services, employees and technology. The activities involved include exporting and importing, cross border transactions, investments in physical and financial assets in foreign countries, contract manufacturing or assembly of goods abroad for local sale or export, buying and selling in foreign countries, foreign warehousing and distribution systems e.t.c., (Bennett, 2006). According to Parker (2005) a country is involved in international trade when it participates actively in at least one national market outside its borders. Hordas et al (1995) sees the international firm as being rooted within its own nation and its headquarters are almost always based in the single country it calls home, while Ghauri et al see Internationalisation as the process by which firms gradually increase their international involvement.

Trade between nations can be traced back to about 2000 BC when tribes in North Africa engaged in trade with the states of Babylon and Assyria with whom they traded dates and clothing in exchange for spices and olive oil. By about 500 BC, the Chinese were actively exporting silk and

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1990). Trade continued to thrive and this success led to the rise of military and political power. Both the Greek and Roman empires prospered as a result of their ability to exploit international trade.

During the middle ages, Italy was the focal point for trade due to its central location in what was then the world market. Genoa, Florence and Venice were major trading centers. In AD 1453, the city of Constantinople was captured by the Turks and the route to China thus blocked to Europe. This led the Europeans to look for alternative routes to ensure that international trade continued. The nation state of Spain sponsored **Christopher** Columbus to explore an alternative route to the East. As fate would have it, however, Columbus went west and landed in the Americas, thereby leading to the colonization of the new continent and discovery of new avenues of trade.

During the period of colonization of America, Africa and parts of Asia, European capitalists continued to nurture new businesses in the colonies, establishing networks of banking, transportation and trade that persist to today. Some of the earliest trading companies established were the Dutch East India Company (AD 1600), the British East India Company (AD 1602) and the Hudson Bay Company (AD 1670). The companies owned mines, tea and coffee estates, jute and cotton mills, rubber plantations e.t.c. as part of their international trading empire. The 19th century saw the invention of the steam engine and the expansion of the railway, which led to significant lowering of the cost of transportation of goods over land. This made factories more economical to run. The forerunners of the current large Multinational Corporations (MNCs) such as Unilever, Ericson and Royal Dutch/Shell trace their roots to this period (Griffin & Pustay, 1990).

Regional trade refers to a group of countries cooperating to dismantle barriers that would threaten gains resulting from specialization and trade. This process is usually referred to as regional integration and the countries in a geographical region undergoing economic integration are referred to as a regional economic bloc. Jain, (2001) notes that "Regional economic cooperation is based on the premise that while responding to global agreements to promote trade, nations in a region connected by historical, geographical, cultural, economic and political affiliations may be able to strike a more intensive cooperative agreements for mutually beneficial economic advantage" (p. 143). He lists the various forms of markets as Free Trade Area where all tariffs are removed; Customs Union where the cooperating nations assume a common

external tariff; Common Market where there is a free flow of factors of production; Economic Union where there is a harmonized economic policy such as common monetary and fiscal policy, and eventually a Political Union where nations merge to form a new nation. Bennett (2006) notes that regional economic groupings may take the forms of Regional Cooperation Group (RCG), Free Trade Area (FTA), Customs Union (CU) or common market (CM). Accordingly, there are today more than 30 such groupings globally whose purpose is to foster economic cooperation amongst them.

2.3 Reasons and Importance of Regional Trade

Regional trade as promoted by regional economic groupings has several implications to the member states. The groupings promote mutual interdependence, and business decisions made relate to several countries, not individual nations. There grows a desire to avoid high common external tariffs. The cooperating nations are able to obtain local grants and subsidies on investments and there is a desire to satisfy the regional market. Tariffs fall on a reciprocal basis and there is a greater shift towards volume of transactions within the region rather than between individual nations so that countries not belonging to a bloc will be driven towards joining one (Bennett, 2006).

Regional economic blocs create a huge market that facilitates cross-border trade and enables companies based in the region to obtain economies of scale sufficient to make them competitive in the international market. This has been one of the outstanding phenomena of the post-World War II period. Regional integration increases cross border trade and investments and raises standards of living for the people (Wild, Wild & Han, 2000).

The case for regional integration is both economic and political. The concept is becoming increasingly attractive as an effective and stimulating condition for a more rapid industrialization and accelerated economic development. According to Kibera (1996), the need for regional integration to facilitate trade arises because of unequal distribution of specific resources among countries and regions of the world. The conditions in a country thus determine its volume of imports and exports and the kind of product it seeks to trade in. Grosse & Kujawa, (1996) uphold this observation by noting that one country happens to have an abundance of one or more resources while lacking in others. Conversely, the other country has an abundance of the

resource that the other does not have. This creates a perfect scenario for trade to thrive between the two nations and across the region

Regional trade thrives as firms within each country strive to attain sales and profits that are unavailable in the home market. Ball and McCulloch (1998) notes that the companies' managers are always under pressure to increase sales and profits for their firms. When they face a mature, saturated market at home, they seek to expand to the nearby regional markets to increase sales.

Improved communication has played a major role in the expansion of regional trade. Communication plays a supportive role, enabling the Managers greater control of their companies from their home office. The internet the email and mobile telephony have had a great impact on the ease with which companies are able to control their subsidiaries and franchises in foreign countries. This has at times obviated the need to set up regional offices, thus enabling firms to cut administrative costs.

According to Ball and McCulloch (1998), other reasons supporting increased regional trade are faster and growing foreign markets more attractive than the home market, preferential trading arrangements that create a larger market, greater revenues and profits due to increased sales, lower cost of goods sold due to lower R&D costs and economies of scale. Firms also trade across borders to protect domestic market from outside competition, to follow their customers across and to use foreign production to lower costs, and to open downstream markets.

Daniel & Gitinan (2008) see two factors as being responsible for regional trade and trade in general: absolute and comparative advantages. According to them, a country has absolute advantage when it can produce and sell a product at a lower cost than any other country or when it is the only country that can produce that product. Comparative advantage occurs when each country specializes in the products that it can produce most readily and cheaply and trades these products for goods that foreign countries can produce most readily and cheaply. This ensures greater availability and lower prices. This view is complemented by Keegan & Green (2008).

Regional trade has important direct and indirect effects on national economies. Exports trigger additional economic activities in the domestic economy. Similarly, imports pressure suppliers to cut prices and improve their competitiveness. Furthermore, buying from abroad frees domestic resources that can be used in a more products manner. The free exchange of goods thus makes

all countries better off since by trading freely countries are able to produce more of everything and their citizens have more to consume than if trade were limited by tariffs, quotas and other barriers (Griffin & Pustay, 1990).

Wild, Wild & Han, (2000) see great potential for gains in output and consumption as a result of increased regional trade. There is also increased efficiency and greater specialization by industry players. Consumers and industrial buyers have a wider selection of goods and services of higher quality at lower cost. Lower priced products create higher demand for goods and services due to increased purchasing power. Increased trade leads to greater job creation.

2.4 Factors Influencing Regional Trade

Both regional and international trade have grown dramatically since World War II. In 2006, it was estimated that international merchandise trade stood at USD 12.1 trillion, which was 25% of the world's GDP of USD 48.2 trillion. Services trade accounted for USD 2.7 trillion (Griffin & Pustay, 1990). International trade has been growing along regional rather than global lines. Most companies first promote international business in nearby countries and then expand their activities once they have reached certain goals. Regionalisation thus becomes the transition stage to international business. It is also an established fact that most world trade is regional and many of the existing treaties removing regional barriers are regional agreements. Besides, transport costs favour regional over global trade. In some instances, regional business is large enough to enable companies gain economies of scale to cover their fixed costs adequately (Daniels, Randenbaugh & Sullivan, 1996).

There are many factors that influence regional trade. They include financial, economic, social/economic, physical, social-cultural, political, legal, labour and competitive/distributive forces (Ball and McCulloch, 1998). The attractiveness of a regional market depends on the degree to which these factors are streamlined and seen to be supporting trade. Some can be a great hindrance and a curtailment of regional trade.

Financial forces include foreign exchange regimes, taxation, tariffs, monetary and fiscal policies, inflation and natural-business accounting rates. These are uncontrollable factors outside the influence of the company. The companies' financial managers, nevertheless, can minimize their

influences. In some instances, they can turn them into advantages for the benefit of their companies. If these factors are too rigid or unfriendly they can be a hindrance to regional trade.

The economic/social economic factors that influence regional trade include the market potential in each country within a regional bloc. There should be sufficient number of buyers of the companies' products. Furthermore, the purchasing power of the buyers will determine their ability to buy sufficient quantities to justify a company's entry into that market. Other influencing factors would include per capita income, inflation rates, personal consumption expenditure, interest rates age distribution, population density and distribution, and the increasing number of working women.

Physical factors are extremely important in influencing regional trade. They have a profound impact on the way people organize themselves and their activities. The scope of geography is broad but the main elements would include location, topography, climate and natural resources. Location explains political and trade relationships which may affect trade. Geographical proximities means that deliveries are faster, freight costs lower and it is less expensive to service clients.

Regional trade is also influenced by social-cultural factors. Those wishing to trade in a foreign nation must learn and adopt their products, as much as possible, to suit. Culture impacts on all functions of trade: marketing, production, finance and even human resource management. Cultural values include aesthetics, attitudes and beliefs, religion, materials, education, language legal and political structure and societal organization. The company wishing to carry out trade in a foreign market must be sensitive to cultural differences with their host country.

A vital factor in determining the success of regional trade is political influences. A stable, supportive government encourages trade and investments. Negative political factors that could deter trade include nationalism, terrorism, traditional hostilities between states/communities, unstable governments and effects of government owned businesses. A government that wishes to promote trade must ensure an enabling political climate.

Legal factors affect regional and indeed, global trade in a profound way. According Ball and McCulloch (1998), "regional trade is affected by many thousands of laws and regulations on

hundreds of subjects that have been issued by states, nations and organizations" (p. 370). Incidentally, very little effort is made by most nations to coordinate them, with some working at **cross**-purposes. Some diminish competitiveness- of the country. The most common laws affecting trade include taxation, anti-trust, tariffs, quotas, product liability, prices, wages and labour.

Regional trade is affected by labour conditions in the host nation. The labour conditions are determined by social, cultural, attitudinal and class distribution factors as well as political and legal forces. Unemployment can be a source of political unrest which would affect trade. A country's labour laws can also affect the competitiveness of a company's products trading in a foreign market.

Competitive and distribution forces are key to a company's ability to compete in a regional market. Governments pressure other governments to lower tariff barriers. This is done with a view to making that country's products more competitive in the foreign market. Distributive channels can be both controllable and uncontrollable. The exporting company may choose direct exporting or indirect exporting where it appoints agents in the foreign market to distribute its products. Both methods have a foreboding effect on the ease with which the firm is able to penetrate the foreign market.

Peng (2009) sees the evolution and growth of the multinational market region as the most important global trend today. He describes this as a group of countries that seek mutual economic benefit from reducing intraregional trade and tariff barriers. Cateora & Graham (1999) observes that although political and social benefits accrue, the dominant motive for affiliation is economic.

Africa has experimented with regional trade blocs for the last fifty years. There are now nine trade blocs in the continent, although some exist in all but name. Some countries are members of more than one trade bloc. Progress toward the realization of the trade blocs' ideals has, however, been slow, partly due to political turmoil and deep suspicion of free trade (Hill International Business, 1994). The East African Community, consisting of the East African countries of Kenya, Uganda and Tanzania, was re-launched in 2009 after the initial collapse twenty four years earlier. The bloc serves a population of over 120 million people and incorporated the nation states of Rwanda and Burundi in 2007 while Sudan, South Sudan, D R

ngo and Egypt have expressed an interest in joining the bloc. The regional integration is intended to reduce and ultimately remove non-tariff barriers (NTBs) to free flow of goods and services and factors of production between each other (Hill International Business, 1994). This includes cooperation in such diverse areas as customs, regional courts, legislative assembly, migration, roads and telecommunications network, investments and capital markets.

5 Globalization of Markets

Globalization refers to the integration of markets, nations and technologies in a way that enables individuals, corporations and nation states to reach around the world farther, faster, cheaper and cheaper than ever before (Griffin & Pustay, 1990). Wild, Wild & Han (2000) see globalisation as the "trend towards greater economic, cultural, political and technological interdependence among national institutions and economies". They further see globalisation as "going beyond the link that binds corporations, traders, financiers and central bankers" as it provides a conduit not only for ideas but also for processes of coordination and cooperation used by terrorists, politicians, religious leaders, anti-globalisation activists and bureaucrats. In this respect, the international trade and Foreign Direct Investments have become increasingly important in the economies of the world. Pieterse's study (as cited in Parker, 2005) avers that there are almost as many conceptualisations of globalisation as there are disciplines in the social sciences, while Ohmae (1995) describes it as absence of borders and barriers to trade between nations. And Brown (1992) describes globalisation as the interconnection between overlapping spheres of business and society, a description reinforced by Reinesh & John (1992).

Globalisation, according to Parker (2005) is not the same as internationalisation. Internationalisation of a business is a concept in which nationality is strongly in people's conscience. Globalisation, on the other hand, looks at the whole world as being nationless and borderless. Goods, people and capital move freely.

Globalisation has led to the intensification of international trade. In 1950, for instance, the merchandise (visible) trade accounted for about 1% of the world trade; by 2006, this had grown to 26%, with services (invisible) trade accounting for 6% (Griffin & Pustay, 1990). According to Ball & McCulloch (1998), one quarter of everything grown or made on earth is exported. They aver that by 1990, the volume of world trade was 5.1 times what it was in 1950, a 7% average annual increase.

Globalization has been accelerated by advanced technologies like internet and modern transport systems. It has gained a complex character in recent decades. The exchange with others has given the global societies an opportunity to expand and grow and has opened the world to innovation and progress (Cavusgil, Knight & Riesenberger, 2008). Globalization, nevertheless, is not as pervasive as it is sometimes assumed to be. Much of rural Africa, Latin America and parts of Asia still consume or sell products produced domestically. India and Iran are the least globalized, according to the A.T. Kearny/Foreign Policy Index as cited in Daniels, Randeibaugh & Sullivan, (1996).

The major drivers of globalization include strategic imperatives such as acquisition of resources seeking new markets for goods and services, being able to better compete with rivals and to leverage competences, liberalization of cross-border trade, development of services that support international trade, growing consumer pressure, increased global competition, and the expanded cross-national competition (Daniels, Randeibaugh & Sullivan, 1996). Other factors are environmental such as changes in the political environment, technological changes and changes in transportation, communication and information processing. These factors have served to make managing a distant business much easier and facilitated expansion into the international market. According to Ball and McCulloch (1998), firms go abroad to increase profits and sales, or to protect them from being eroded by competition.

Globalization confers many benefits to the world. These include new entrepreneurial opportunities, greater choice of goods and services and acting as an engine for job creation. The World Bank estimates that further liberalization of trade could lift an additional 66 million people worldwide out of poverty and global income by USD 290 billion per year by AD 2015 (Wild, Wild & Han, 2000).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out the various stages and phases that were followed in collecting and collating data for the final analysis in order to bring meaning to the mass of data collected. The method adopted in the collection of the required data is also expounded. The final step is the description of the method that was employed in analyzing the raw data to make sense out of it.

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3.2 Research design

In assessing the effects of the suspension of train ferry services on trade in the Great Lakes Region of Eastern Africa, the researcher used the case study method as the main research design for the study. The case study places more emphasis on a full contextual analysis of fewer events or conditions and their interrelations and is the most flexible of all research designs. It allows the researcher to retain the holistic characteristic of real-life events while investigating empirical events (Mugenda & Mugenda, 1999). The case study method is particularly useful in content analysis as it involves a careful and complete analysis of a social unit, laying more emphasis on the depth rather than the breadth of the study (Kothari, 2004). Yin (1984) avers that case study is the strategy when the "how" or "why" questions are being posed and the investigator has no control over events and the focus is on contemporary phenomenon within some real-life context.

Data Collection

This study used both primary and secondary data. Primary data was collected through a structured interview using an Interview Guide (see Appendix 2) to obtain information regarding the specific topic. Primary data is fresh or first time data which is original and collected for a certain study or purpose (Kothari, 2004). It plays an important role in an evaluation by providing information useful to understanding the processes behind observed results and assessing changes in people's perceptions (Churchill & Iacobucci, 2005). Secondary data was obtained from records maintained in the Rift Valley Railways Marine section.

In this study, a sample of five companies that used the Train Ferry services prior to the suspension was selected. These are Bambur Portland Cement Company, The East African Portland Cement Company, Athi River Mining Company, Prime Fuels (Kenya) Ltd and Livercot Impex. The target interviewees were managers responsible for transport and logistics in their respective companies or businesses. Glesne (1992) notes that qualitative researchers must select

their study participants purposefully. This is so because they do not work with populations large enough to make random sampling meaningful; besides, the purpose is not to make generalisations. The research proposal should therefore clearly delineate which persons will be interviewed as well as how many and which situations will be observed. Prior to the data collection, a pre-collection activity was undertaken to strengthen the design of the Interview Guide. Glesne (1992) observes that this helps to clarify the qualitative evaluation findings by answering such questions as; how clear are the questions? Are they appropriate? What else should I be asking? The pre-collection study also tests the language used, as well as the observation techniques. The results of the activity may lead to revision of the research statement, research plans and or the interview questions.

3.3 Data Analysis

For the purpose of this study, the content analysis method was used to analyze the data collected. Stemler, (2001) describes content analysis as a systematic, replicable technique for compressing many words of text into fewer content categories based on explicit rules of coding. The step in content analysis is to develop thorough and comprehensive descriptions of the phenomenon under study. It involves describing the findings, creating explanations and hypotheses, and developing theories. The focus of the analysis is on words and conversations, so that "text" is itself treated as an object of analysis. The data collected is categorized, synthesized, interpreted and emerging patterns sought. The researcher organizes what he/she has seen, heard and read so that he/she can make sense of what they have learned (Glesne, 1992, Ngau & Kumssa, 2004). In analyzing the data, the goal is to clarify problems, identify alternatives and provide a sense of direction. This has become known as 'thick' description (Geertz 1973, Denzin 1978). In contrast to 'thin' description which merely states facts Denzin (1978) suggests that a 'thick' description includes information about the context of an act, the intentions and meanings that organize action, and its subsequent evolution.

Recognizing the objectives of the current study, the data collected was analyzed to highlight the role played by the train ferry services on trade in the Great Lakes Region of Eastern Africa and the underlying issues and forces behind it. This analysis also sought to give in-depth information on the effects the suspension of the Train Ferry services had on trade in the region and important underlying issues and forces.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter is divided into three sections. The first section highlights general information on the interviewees who participated in the study. It seeks to establish their bonafides and to confirm that they indeed had the required experience and competence to comment on, and give answers to, the questions raised during the interview. The second section seeks to analyze the findings of the study in regard to the role played by the Train Ferry services in facilitating trade within the great Lakes Region of Eastern Africa. The third section analyses the findings of the study with regard to the effects on the region of the suspension of the ferry services. Content analysis was used to check for consistency of the answers given and views expressed by the respondents.

4.2 General Information on the Interviewees

In order to run the interview efficiently and without any disturbance, the researcher needs to know the interviewee, his background, his values and above all his expectations (Ghauri & Kjell, 2002). The interviews were conducted on five interviewees who were senior marketing and logistics managers of five companies that transported their goods via the lake on the Train Ferries prior to suspension of the service. The companies were Livercot-Impex, who export cotton from the Eastern Africa region to South Africa, Europe and other world markets; East African Portland Cement Company and Bamlari Portland Cement Company who supply cement to Northern Tanzania, Uganda and South Sudan, Athi River Mining Company Ltd who supply cement and minerals to Uganda, and Prime Fuels (Kenya) Ltd who supply fuel and gas oil to Uganda, D R Congo and Northern Tanzania. The response rate was 100% as all the interviewees were reached. They had all worked for their respective companies for over five years and were therefore deemed competent to answer the questions on behalf of their companies.

4.3 Role of the Train Ferry Service in Facilitating Trade

Hanson, D (2010) notes that expanding trade is fundamental in maximizing national welfare as measured by the value of goods and services produced and consumed in an economy. They advocate what they term the "Classic Free Trade Policy". The findings in this study reveal that the Train Ferry provided a cheaper, reliable and convenient mode of transporting goods for companies involved in trade across the region. The study further reveals that the companies

involved resulted to transporting their goods b/ road after the suspension of the ferry services to ensure that they remained in business. The interviewees confessed that this alternative mode of transport is invariably more expensive, time consuming, less safe and unpredictable especially due to non-tariff barriers such as police road blocks, weigh-bridges, customs and immigration formalities at the border e.t.c. Other factors contributing to increased costs on road are longer distances covered, road accidents and incidents, and theft and pilferage of the goods being transported.

4.3.1 Volume and Value of Business

The interviewees were asked to indicate the average volume of business transacted by their companies in tonnes and the value in USD per month using the Train Ferry services prior to the suspension. Table 1 below presents the figures obtained from the companies that were contacted:

Table 1: Volume and value of business

Observation	Mean	Maximum	Mode	Minimum
"On average, what was the monthly volume of business in tonnes dealt by you/your company through the ferry services prior to the suspension?"	1,830	3,800	1,200	1,200
"What value would you ascribe to this volume in monetary terms? (USD)"	1,390,000	4,982,120	170,000	170,000
"What are the current monthly volume; (Tonnes)?"	1,920	4,100	1,920	1,920
"What is the current monthly value, in monetary terms, of your regional business? (USD)"	2,579,000	5,750,000	225,000	225,000

Source: *Study findings*

From the table, it is observed that the average tonnage handled by each firm monthly prior to suspension was 1,830 tonnes, with a value of USD 1,390,000. Both have increased only marginally since then with the current averages standing at 1,920 tonnes valued at USD 2,579,000. There was no significant reduction in the volume of business transacted since the companies involved found other, albeit more expensive, means of transporting their goods.

4.3.2 Importance of the Train Ferry Services

The Train Ferry acts as a continuation of the train in that on arrival at the lake head, the wagons carrying the goods are simply shunted from the train to the ship and vice-versa. This forms an integrated system which removed the physical handling of the goods at terminal points. Cateora (1966) notes that this type of integration induces an optimal cost solution to the physical distribution process of goods.

Study participants identified the various remarkable contributions made by the Train Ferry Services. The most significant contribution cited is the provision of a cheaper mode of transport. Other remarkable contributions included efficiency, economy and dependability. The majority of the interviewees also identified the transportation service itself as a major aspect in the facilitation of trade in the region. The scaling down of the Train Ferry services thus negatively affected their businesses. The interviewees were all in agreement that the alternative modes of transport are more expensive, more unreliable and require constant monitoring for security reasons. The effect of this change in the mode of transporting their goods has been a sharp escalation of transportation costs and hence the cost of doing business.

To augment the findings of this study, the researcher sought and obtained secondary data from the RVR Marine section based at Port Bell near Kampala. The data is in terms of the volume of cargo moved via the marine services as a percentage of the overall cargo handled by the Railway, both prior to, and after the privatization of the railway. Table 2 below provides the data for the period 1995 to 2006 i.e. prior to privatization.

Table 2: Tonnages handled by Marine Services 1995-2006

Year- *	Uganda Railways Corporation (Total) Freight Tonnes	Tonnes handled by Marine Services	" % of Marine Tonnes"
1995	204,337	30,651	15.0
1996	717,510	154,691	21.6
1997	549,497	131,363	23.9
1998	600,237	222,232	37.0
1999	752,381	387,234	51.5
2000	799,222	323,498	40.5
2001	856,337	476,726	55.7
2002	903,662	478,115	52.9
2003	854,229	402,426	47.1
2004	877,253	443,654	50.6
2005	516,243	236,784	45.7
2006	476,862	207,331	43.5
Total	8,107,770	3,973,431	48.5
Average	675,648	331,119	40.4

Source: *Records at RVR Marine services section, Port Bell, Kampala*

The analysis shows that the Train Ferry services handled on average 40.4% of all traffic moved by Uganda Railways Corporation, thus supporting the study findings on the importance of the ferry services. The total volumes transported by the railway dropped significantly in tandem with the drop in the volume transported by the now suspended ferry services following the privatization.

The volumes for the period November, 2006, to-date are shown on the table below. The average monthly traffic carried by the Marine services is only 10.7% of the total handled by Rift Valley Railways. This cargo is moved by MV Umoja, a Train Ferry operated by the Marine Service Company Limited (MSCL), a subsidiary of the Tanzania Railways Corporation (TRC) but since transferred to the Tanzania Ports Authority (TPA). The MSCL and RVR operate the ferry on a cost sharing arrangement.

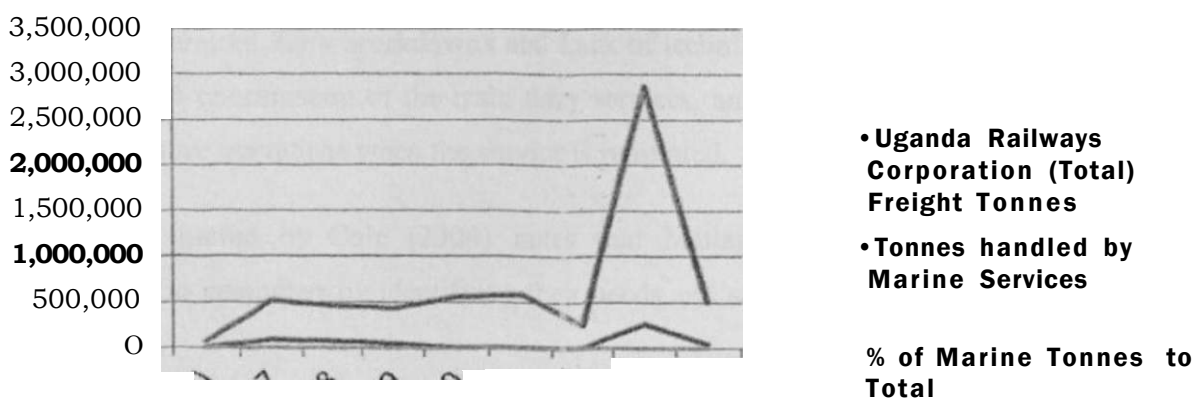
Table 3: Tonnages handled by Marine Service: November 2006 to June 2012

Year	Uganda Railways Corporation in (Total) Freight Tonnes	Tonnes handled by Marine Services	% of Marine Tonnes to Total
2006 (Nov - Dec)	75,356	13,361	17.7
2007	513,898	97,070	18.9
2008	460,954	78,190	17.0
2009	427,730	53,823	12.6
2010	552,185	17,169	3.1
2011	586,210	10,213	1.7
2012 (Jan-June)	258,482	6,127	2.4
Total	2,874,814	276,364	73.4
Average (2007-2011)	508,195	51,291	10.7

Source: Records at RVR Marine services section. Port Bell, Kampala

The data is graphically plotted below. The chart shows a drop in the volumes carried since the suspension of the ferry services. This supports the study findings on the importance of the Train Ferries since the overall reduction of the volumes carried by the railway was as a result of the absence of the ferries.

Figure 1: Tonnages handled by Marine Services November 2006 to June 2012



4.3.3 Effectiveness of (he Train Ferry Sei vices

Cole (2004) describes effectiveness as the extent to which an output is achieved in accordance with the set requirements, always assuming that the output has been identified and made measurable. When asked to comment on the effectiveness of the Train Ferry services in the provision of transportation services, the interviewees highlighted several issues that they considered to be crucial in offering an effective transportation service through the lake. Consistent provision of cheaper and economical service was mentioned by the majority of the respondents. Other issues mentioned included safe and timely delivery of goods made possible by elimination of weigh bridges, fewer accidents experienced as compared to other modes of transport and allowing for bulk loading of cargo.

The study also sought to know from the interviewees what they found to have worked well before the suspension of the ferry services. The responses were as follows: easier access of the goods to their areas of business operations, safety of goods carried and timeliness in delivery.

4.3.4 Barriers Encountered Prior to the Suspension

When asked what barriers or hindrances they faced while transporting their goods using the ferry services prior to the suspension, the interviewees cited the following issues as some of the challenges they faced. These issues could be perceived as some of the priority areas to be looked into when reinstating the services. The challenges identified were lack of key support from the ferry service operators, ferry breakdowns and lack of technical assistance. This calls for proper maintenance and coordination of the train ferry services, and should receive a high priority in streamlining future operations when the service is reinstated.

Peters (1988) quoted by Cole (2004) notes that Management should be obsessed with responsiveness to customers by identifying their needs and striving to meet them to the greatest extent possible.

4.3.5 Awareness of the Reasons for Suspension of Train Ferry Services

Of the five study participants interviewed, three or 60% knew or suspected the reasons behind the suspension of the Train Ferry services by Uganda Valley Railways. They cited the sinking of a Ugandan Train Ferry (MV Kabalega) in the lake in May, 2005, which brought about an insurance and licensing challenge. The insurance and licensing firms apparently insisted on the

ferries and communication systems being completely overhauled, which the new operator deemed expensive.

Table 4 below summarizes the knowledge level for the respondents on the reasons for the suspension of Train Ferry services.

Table 4: Knowledge of reasons for suspension of Train Ferry services

Reasons for suspension	Frequency	%
Knew Reason	3	60
Did not know Reason	2	40
<u>Total</u>	5	100

Source: *Study findings*

The above findings point to a Management that was not fully in touch with their customers to keep them abreast of their plans, and discussing how they (plans) will impact on them. Ulrich, Zenger & Smallwood (1953) observes that interacting with customers on a regular basis remains one of the best ways to gain insight about customers and to understand their needs and desires. They further note that managers need to find a way of connecting with customers so that customers become completely committed and satisfied.

4.4 Effects of the Suspension of the Train Ferry Services.

The survey sought to investigate the effect that the suspension of Train Ferry services by RVR had on various establishments. Some of the consequences as outlined by the interviewees include increased cost of transportation of cargo, longer time taken to deliver cargo to destination using the alternative modes of transportation, reduced safety of cargo being transported, risk of the cargo getting pilfered or stolen along the way and increased prices of landed goods. There is also the obvious loss of quality jobs. Table 5 below tabulates the findings from the five interviewees to show the degree of consistency of the answers given by the respondents.

Table 5: To what extent were you/your company affected by the following?

Item	Significantly affected	Not Significantly affected	Not affected at all	% of conformity
Increased cost of transportation	5	0	0	100
Longer route by road trucks	5	0	0	100
Compromised safety & security	5	0	0	100
Concern for environmental	1	0	4	20
Non-Tariff Barriers	5	0	0	100
Need for constant monitoring	3	1	1	60
Ability to move bulk	5	0	0	100
Multiplicity of service providers	5	0	0	100

Source: Study findings

4.4.1 Increased Cost of Transportation

All the interviewees were positive that the suspension of the ferry services drastically increased the cost of transporting their goods, and thus also their landed cost. The price had hence to be adjusted upwards, which made their product less competitive in the market. The road transporters charged a much higher transportation rate and carried less than train wagons, hence the higher cost.

Reduction in the cost of transportation leads to growth in trade. Between 1960 and 1995, real world output grew by 3.8% while real world trade grew by 6.1% (Caves, Frankel & Jones, 2007). According to their research, the reason for the faster growth in international trade vis-a-vis growth in international output included reduction in real cost of international shipping and travel. They concluded by noting that "merchandise trade has grown faster than merchandise production due to lower transport costs" (page 6). Re-introduction of the Train Ferry services is likely to lower cost of transportation, hence increase trade within the Great Lakes Region of Eastern and Central Africa.

4.4.2 Longer Routes by Road Trucks

The rail/ferry route from Mombasa to Port Elizabeth via Kisumu is 1201 Km while the direct rail route is 1333 Km. The rail/ferry route is thus 10% shorter. Mwanza is 1255 Km from Mombasa

by rail/ferry via Kisumu, just slightly shorter than the road route from Mombasa via Isebania on the Kenya-Tanzania border estimated to be 1290 Km. The road routes usually follow the rail routes and are thus longer than the lake routes. Goods therefore take much longer to arrive at their destination points. The interviewees all agreed that the shorter routes through the wagon ferries were much cherished by their companies.

4.4.3 Compromised Safety and Security of Goods

Wikipedia (2012) describes safety as protection against accidental events and security as protection against intentional damage. All the interviewees rated safety and security highly in the hierarchy of priorities when considering the transport mode option. They all rated the Train Ferry highly in this regard. At the same time, they reported frequent safety and security breaches involving road trucks where goods were damaged and or looted at sites. Goods were also frequently pilfered as the trucks perambulated the steep sections of the trunk roads. According to the Kenya Transport Association Chief Executive in an article titled "Group Seeks Security for Cargo in Transit" appearing in the Daily Nation, cases of cargo theft and fuel siphoning on the Northern Corridor are on the rise and security agencies should increase surveillance because transporters were incurring losses and suffering inconveniences (Daily Nation, August 6, 2012). Such incidents were rare when they used Train Ferries. The interviewees did also mention that although the goods were insured, the loss of business suffered as a result of safety and security breaches could not be adequately compensated.

4.4.4 Environmental Pollution

Most of the interviewees were not overly concerned about environmental issues, with only 1 (20%) saying that their company was concerned with increased environmental pollution. Environmental pollution takes place in the form of increased diesel emissions from use of more trucks and increased spillage from trucks carrying fuel products when accidents occurred involving such trucks. The environmental pollution from the Train Ferries is invariably much less. It was the interviewees' feelings that environmental issues were a government concern and should be dealt with at that level. Rodrigue J. Comtois (2005) observes that the relationships between transport and the environment are complicated by two observations, namely:

1. Transport activities contribute, among others, to anthropogenic and natural causes directly and indirectly, and cumulatively to environmental problems. In some cases, they may be a dominant factor, while in others their role is marginal and difficult to establish;

2. Transport activities contribute at different geographical scales to environmental problems, ranging from local (noise and Carbon Monoxide emissions) to global climate change, as well as continental, regional and national problems such as smog and acid rain.

The world is currently very concerned over environmental issues and governments are striving to adopt the most environment friendly modes of transport. The wagon ferry is considered one.

4.4.5 Effects of Non-Tariff Barriers

According to Hanson (2010), all is not well with free trade. Non-Tariff Barriers (NTBs) have proliferated almost as fast as international negotiations have led to new agreements to reduce tariff and non-tariff barriers. The author describes Non-Tariff Barriers as trade controls that indirectly affect the amount of trade by directly influencing the prices of exports or imports. They include subsidies, customs valuation, quotas, administrative delays, specific permission requirements and "buy local" legislations.

The interviewees in this study cited Non-Tariff Barriers as the biggest challenge they faced when using alternative modes of transportation. NTB barriers served to delay the movement of their goods and increased the transit times and cost of landed goods drastically. The Non-Tariff Barriers cited included weigh bridges, police road blocks, immigration formalities at border and frequent demands for kickbacks by state agencies and service providers. Eicher (2009) notes that people everywhere are more concerned than ever about corruption and business ethics. She further avers that corruption reduces a country's economic growth, limits private investments and lowers its well-being. It also has psychological and sociological effects.

4.4.6 Need for Constant Monitoring of cargo

For convenient physical movement of goods, the selection of a dependable mode of transportation is essential. The mode selected must ensure safe arrival of the goods within a reasonable time for a reasonable carrier cost (Cateora, 1966). Sixty percent of the interviewees responded to this issue by pointing out that they have to keep constant surveillance of their goods while on road trucks until they arrive and are delivered at destination. This is in view of constant pilferage, broaching, accidents and diversion of the goods. Some interviewees from companies that owned trucks pointed out that they have been forced to purchase expensive computer

software for monitoring the trucks as they progress on the journey. They averred that this was a stressful exercise. Those who did not find this issue to be of significance either transported insensitive cargo such as cotton or allowed their customers to pick the goods directly from their factory, in which case the transportation risk shifted to the buyer.

4.4.7 Curtailment of Ability to Move Bulk Traffic

The main advantage pointed out by the interviewees was the Train Ferries' ability to move bulk cargo. All the interviewees alluded to this feat and regretted that they now have to monitor several trucks transporting their goods when the ferry would have taken this headache away. The ferry has the capacity for 22 train wagons on board carrying 800 tonnes of cargo. This is an enormous volume being transported at once, the benefits of which are obvious.

4.4.8 Dealing with Multiplicity of Service Providers

All the interviewees agreed that dealing with a multiplicity of service providers can be stressful, time wasting and expensive. Each comes with their own way of doing things. Getting enough capacity from one service provider is challenging and on occasions the cargo owners have to approach several transporters. The interviewees pointed out that they are trying to go round this challenge by encouraging their customers to buy direct from their factories. This has worked fairly well for BPCC Ltd who now only transports cement to stock their depots, rather than direct to their customers.

4.5 Proposed Strategies and Interventions

The interviewees were asked to suggest strategies and interventions that they felt would enhance the performance of the Train Ferry service. The most conspicuous responses have been summarized as presented on table 6 below. The salient ones included "increase the number of wagons", "improve the performance of engine*" and "reduce delays". All these tend to point to a need for proper management of Train Ferry services as a way of increasing transport efficiency and thereby contributing to greater economic performance in the region.

On what interventions needed to be discontinued or eliminated, the interviewees mentioned frequent breakdown of engines, high tariff and delays to their goods. Others mentioned improvement on safety, spill control and emergency backup in case of engine break downs. The responses touching on wagons, engine breakdowns and delays are associated with the rail portion

of the journey which feeds the Train Ferry service. Shortage of wagons and engine breakdowns would lead to delays and unavailability of goods to be transported by the Train Ferries and thus lead to idle capacity.

Table 6: Proposed strategies

What strategies, interventions, etc., would you recommend be sustained and/or scaled up?

Item	PRIORITY			% of consistency
	High	Low	Not sure	
Improve the port structures	1	0	4	20
Increase number of ports	1	0	4	20
Provide Ferries of different Sizes	3	2	0	60
Adequate repair of engines	1	0	4	20
Modernize trade	5	0	0	100
Improve management practices	5	0	0	100
Reduce delays	5	0	0	100
Reduce transportation rates	5	0	0	100

Source: *Study findings*

4.5.1 Improve Port Structures

Today, possibly one of the most obvious phenomena in port industry is port privatization since it is widely believed that ports form a vital link in the overall trading chain. Consequently, port efficiency is an important factor for a nation to achieve internationally competitive advantage (Tongzon, 1989, Chin & Tongzon, 1998). Increasing private sector participation in the ownership and operation of container ports (terminals) can help port authorities improve their operational efficiency. Therefore, it is indispensable to identify the relationship between the ownership structure and port efficiency. Reliability of port operations also influences a port's performance (Tongzon, 1995), which in turn will affect the choices of shipping lines and shippers. Reliability means a steady and predictable performance adapted to shipping lines' schedules.

Only one or 20% of the interviewees rated improvement of the port structures as a high priority area. This is hardly surprising as it is borne by the fact that most of the respondents had not had a chance to visit the ports and appreciate the state of the ports structures. They were more concerned about their goods reaching the destination on time. The lone respondent who recommended this strategy happened to have worked with the railway company, hence had the benefit of insider knowledge.

4.5.2 Increase the Number of Ports

Only one or 20% of the interviewees thought that increasing the number of ports of call within the lake was a priority. This is, however, an issue to be seriously considered when the ferry services are revamped and business increases. There are currently only six ports at which the ferries can dock viz Kisumu, Musoma, Mwanza, Kemoi Bay (Bukoba), Port Bell and Jinja. Increasing the number of ports would bring services closer to the consumers but must run in tandem with improvement of the feeder railways.

4.5.3 Provide Ferries of Different Sizes

This strategy was considered important by 60% of the interviewees. The bane has been that the users are required to hire the whole Train Ferry to carry their goods. This means that they must at any time have loaded not less than twenty two wagons to ensure full utilization of the ferry capacity. It is not easy for a single customer to consolidate that number of wagons at once. Hiring the ferry does not come cheap either, as it is in the region of USD 30,000 (About Kshs 2.5m). The customer may also not get cargo on the return trip, meaning that it would be wasted though paid for. This makes the logistics of transporting cargo on Train Ferries a nightmare, hence the need for smaller ferries to accommodate those customers who may not have adequate cargo to fill the current size of ferries.

Koontz & Weihrich (2010) listed eight characteristics of excellent enterprises, which included learning the needs of customers, focusing on the business they knew best and being oriented towards action. In this case, the customers have clearly indicated their needs; it is up to the service providers to service them.

4.5.4 Adequate Repair of Engines

Only 1 interviewee (20%) thought this was a serious issue with the ferry services. Ferries seldom broke down and when one did, there was always a back-up and it was therefore highly unlikely that such a breakdown would have had any significant effect on the service. All the interviewees, however, expressed concern over the state of the train locomotives that connected the cargo to the ships and vice-versa. They frequently caused serious delays due to mechanical break-downs, with export cargo sometimes missing the ocean going ships. Interviewees hoped that this particular issue would be given serious attention in a revamped Train Ferry service.

4.5.5 Modernize Trade

This issue was supported by all the interviewees. The interviewees felt that the trade practices advocated by the ferry operators have become obsolete and a revamped ferry service would require modern marketing, communication, monitoring, booking, delivery and pricing. The need for computerization of the service and installation of modern communication equipment aboard the ships was considered very important.

4.5.6 Improve Management Practices

According to Peters (1988) quoted by Cole (2004), an organization's management should have an obsession with responsiveness to serving customers. All the interviewees indicated in their responses that the management of the ferry services was insensitive to their needs. They complained of lack of clear information as to whom they could contact when in distress. Even when they did get through to individuals who could help, such assistance was not usually professionally given. The interviewees therefore felt that a revamped service would call for change of management practices to embrace modern practices. Quality Management Systems would go a long way in enhancing service delivery. International quality standards such as ISO 22008, ISO 14001 and numerous other ISO certifications that help in providing the best quality standards should be embraced.

4.5.7 Reduce Delays to Ferries and Connecting Trains

Delays of whatever nature to any service delivery is always stressful to a customer. All the interviewees pointed this out as one of the areas they would wish addressed if or when the Train Ferry services resumed. Delays on the train side were the most pervasive due to frequent locomotive breakdowns and wagon derailment that took time to be attended to. One interviewee

also pointed out low capacity haulage (maximum 6 wagons) for trains feeding the ships from Nakuru. It took three train trips to make a ferry load.

4.5.8 Reduce Transportation Rates

All the five interviewees (100%) pointed out the hire rate for the Train Ferries as a serious disincentive to them. Caves, Frankel & Jooss (2007) noted that reduction in real cost of international transport increases world trade. According to their research findings, the average real cost of international shipping and travel fell by 70% between 1920 and 1990 which led to an average increase in real trade by 6.1% per annum over the period.

Although the interviewees all agreed that the ferry was cheaper on a per tonne basis, they felt that there was room for a tariff reduction which would be to the advantage of all stakeholders. It would make the service more competitive and the price of landed goods more affordable to the consumers, thus leading to increased demand for the goods and, by extension, ferry services. More importantly, the respondents proposed a through rate to destination as opposed to the current practice of charging up to the lake head and expecting the customers to hire the ship or look for alternative means of ferrying their goods to destination.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter addresses the research objectives that were set in chapter one. The two objectives were to inquire into the role played by the Train Ferry services in facilitating trade in the Great Lakes region of Eastern Africa, and to establish whether the suspension of the services by Rift Valley Railways in November 2006 did have a negative and profound effect on trade activities in the region. The chapter summarizes the research findings and makes conclusions and recommendations arising therefrom. The limitations of the study are also highlighted as are suggestions for further research in areas where the researcher felt that there was need to shed more light in view of new issues arising from the study findings.

5.2 Summary of Findings

This study has explored and highlighted the perception by the interviewees of the services offered by Train Ferry from various dimensions. The economic and social impact of the suspension has been explored. The interviewees represented the main companies that transported goods through the ferry prior to suspension of the service. They have worked for their respective companies for over five years and therefore have the knowledge required to enable them comment on the service. Their views are deemed fairly representative of the other firms and individuals who relied on the service to transport goods for them.

The study found out that the Train Ferry played a significant role in facilitating trade in the region. The interviewees highlighted the most important functions that they felt the ferry services played in trade facilitation, including offering a cheaper mode of transport, reliability, safety, security and bulk transportation of their goods. Secondary information obtained from the RVR marine section confirmed that during the period prior to privatization of the railway, the ferry services handled 40.4% of the total tonnage transported by Uganda Railways Corporation thus underlying the important role played by the service.

With regard to the effect the suspension of the services had on the participating firms, the study found out that all of them were affected in the initial stages but quickly made adjustments in order to remain afloat. They faced increased transportation cost, delays to their goods and

uncertainty as they tried to cope with the changed circumstances. The study also found out that the suspension of the service did not in the long term affect the volume of business the firms transacted in the region in any significant manner because they were able to use alternative modes, albeit at higher costs. At least this was the case for 80% of the interviewees.

With regard to the reasons for the suspension of the ferry services, the study found out that 60% of the interviewees had an idea of the reasons behind the move. They, however, all called for the re-instatement of the service which they agreed was more efficient, cost effective, reliable and predictable than the alternative. The study identified lack of management support as the most serious challenge the customers faced with the management of the ferry services. Other factors alluded to were lack of technical support from the service provider and engine breakdowns.

The study also found out that there were areas that the ferry users wished to be considered for improvements if the services were re-instated. They included introducing ferries of different sizes and configuration to cater for the needs of diverse shippers, building more lake ports, reducing engine breakdowns on trains and ferries, modernizing trade, reducing transportation rates and improving connectivity between the trains and train ferries so as to ensure a seamless flow.

5.3 Conclusions of the Study

The study has shown that the absence of adequate transport services on Lake Victoria has created a significant barrier to trade in the Great Lakes Region of Eastern Africa. Traders and industrialists who relied on the services of the now suspended ferry services were forced to seek alternative means of transporting their goods, often at a significantly higher cost. Hartogh (2009) observed that when a user chooses other modes of transport, most of the time extra costs are involved, depending on the chosen alternative. Besides, the extra kilometers related to alternative routes lead to higher environmental stress as they cause a higher emission of air pollutants and greenhouse gases.

The absence of ferry services can be seen as a barrier functioning. The degree of barrier functioning is dependent on the difficulty to cross the barrier and the need to cross it. This barrier functioning can lead to two other social effects: noise pollution and lower road safety. In the situation under investigation, the majority of those interviewed were candid that the ferry services experienced far fewer accidents and incidents than the alternatives.

5.4 Limitations of the Study

The two main limitations faced by this study were time and finances. Shortage of time prevented a more robust study that would have covered respondents in most areas of the Great Lakes region. A more in-depth interview would have been carried out on the effect the suspension had on ex-employees of the Marine sections of Kenya and Uganda Railways Corporations who were retrenched after the suspension of the ferry services, the current employment and quality of jobs offered by the small operators who offer a much scaled down and less safe transport services, the suppliers for spares and consumables for the now dormant Train Ferries, petty traders who hawked their services within the precincts of the various lake ports, the environmental impact of having numerous alternative service providers, and the impact on the growth, or decline, of satellite towns within the ferry service routes.

Lack of adequate financing meant that it was difficult to travel widely within the Great Lakes Region. The study was confined to firms located within Kenya, though trading in the Great Lakes Region. With adequate finances, it would have been possible to visit most, if not all, the ports and the hinterland served by the ferries within the region. It would also have made it possible to visit and interact with more interviewees to get more incisive details on the actual role and effect of the suspension of the ferries.

The researcher also faced difficulties in getting appointments from some of the interviewees. A number of them are fairly busy executives who would have numerous engagements most of the day. They kept on postponing appointments. This made the field study to take longer than was envisaged. Some of the respondents also appeared ill at ease, in spite of assurances that the information sought was purely for academic purposes only and would not be divulged to any parties without express permission of the interviewee. It is possible, therefore, that they could have held back some vital information.

5.5 Suggestions for Future Research

There have not been any serious efforts to invest in water transport in the lakes that dot the Great Lakes Region of Eastern and Central Africa. The void is felt now more than ever due to the absence of any meaningful alternative to the suspended service and the increasing volume of interstate trade within the region. Water transport has great potential that needs to be exploited. Further research is necessary to find out why neither the governments of the region nor private

investors are keen to make serious investment to rejuvenate this important mode of transport. Perhaps a Public-Private Partnership (PPP) is the way to go.

Further research can also be carried out to inquire into ways in which the numerous water-ways within the region can be harnessed in an organized way to increase trade and commerce and thereby improve the economic well-being of the citizens of the nation states in the region. The regions boast of over 200 million inhabitants. This is a huge potential that needs to be exploited. Other water masses such as Lakes Tanganyika, Kivu, Albert, Kyoga and Malawi, and the river Nile and Kagera are candidates for this exploitation.

5.6 Recommendations for Policy and Practice

Currently, only one Train Ferry, the MV Umoja, is still active on the lake. The ship can hardly cope with the volume of cargo that requires to be transported across the lake. Some entrepreneurs have introduced some small crafts in the lake to cash in on demand for transportation service. These crafts cannot be said to be entirely safe and carry only a limited amount of cargo. It is therefore recommended that Rift Valley Railways, who have the means and wherewithal to run the service efficiently, considers re-instating the ferry services to increase the level of trade within the region.

The reinstatement of the service should be accompanied by formulation of new strategies to facilitate improvement and modernization of the service. Such strategies would include but are not limited to, ensuring that the lake port structures are maintained to acceptable standards, proper maintenance of the ships to ensure that they offer enhanced and efficient service and improving interconnectivity of rail and ferry services to create proper synergy. Other strategies that would merit immediate consideration are reducing the tariff to match customer expectations and modernizing the business to cope with the current demand. Such modernization would entail embracing current management and business practices, installing state-of-the-art communications equipment and computerizing the business processes.

The East African Community governments should also wake up to the reality that regional trade is grossly dampened by the absence of adequate water transport on Lake Victoria and the other lakes dotting the region. Water transport being the cheapest mode of transport should be embraced by the regional governments which should commit adequate resources to the cause.

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APPENDICES

APPENDIX 1: LETTER OF INTRODUCTION



UNIVERSITY OF NAIROBI SCHOOL OF BUSINESS

• ABA PROGRAM

Telephone: 020-2059162/0711642416
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE: 24). sj^CiKa.

TO WHOM IT MAY CONCERN

The bearer of this

Registration No

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her course assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

**IMMACULATHOMANO
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE**

APPENDIX 2: INTERVIEW GUIDE

EFFECTS OF SUSPENSION OF TRAIN FERRY SERVICES ON TRADE IN THE GREAT LAKES REGION OF EASTERN AFRICA

Hallo,

My name is.....I am an MBA student at the University of Nairobi, carrying out a study on the effect on trade in the Great Lakes Region of Eastern Africa, of the suspension of the Train (Wagon) Ferry services in Lake Victoria. I would appreciate if you could please share with me a few questions concerning the Train Ferry Services. The objective of the study is to assess the role played by the Train Ferry services on trade through the lake and the effects its suspension had on this trade, and any other underlying issues. The interview should take less than an hour. I shall be taking notes on the proceedings so that I do not miss any of your comments. All responses will be kept strictly confidential; the research is for academic purposes only.

PART A: PERSONAL DETAILS OF INTERVIEWEES

Name: _

Organization/Business: _

Position held;

Length of Service in Company_

PART B: ROLE PLAYED BY TRAIN FERRY IN FACILITATING TRADE

- 1 Are you or your company currently engaged in trade within the Great Lakes Region of Eastern Africa? What trade are you/ your company engaged in?
- 2 How are you/your company currently transporting or receiving the goods to/from your customers or suppliers?
- 3 Are you/were you aware of the availability of the Train (Wagon) Ferry services on Lake Victoria? What knowledge did you have; of this service?
- 4 Have you or your company ever used the ferry services to transport your goods or received goods transported via the Train Ferry?
- 5 On average, what was the volume of business in tonnes dealt with by you/your company through the ferry services prior to the suspension?
- 6 What value would you ascribe to this volume in monetary terms?

- 7 What is the current value, in both volume and monetary terms, of your regional business?
- 8 How important was the Train Ferry to your/your company's business?
- 9 What aspects of trade did it facilitate for you?
- 10 What do you consider to have been the most important role played by the Train Ferry services prior to the suspension?
- 11 What were some barriers, if any, that you encountered before the suspension of the train ferry services? i.e. Staff turnover? Lack of key support? Lack of technical assistance? Ferry breakdowns? Accidents, e.t.c?
- 12 How did you overcome the barrier(s)? What recommendations do you have for future **efforts**?
- 13 What worked well before the suspension of the Train Ferry services? Please elaborate.
- 14 From your perspective, how effective was the train ferry services in reducing the cost of transport within the Region?

PAF C: EFFECTS ON TRADE OF THE SUSPENSION OF THE FERRY SERVICES

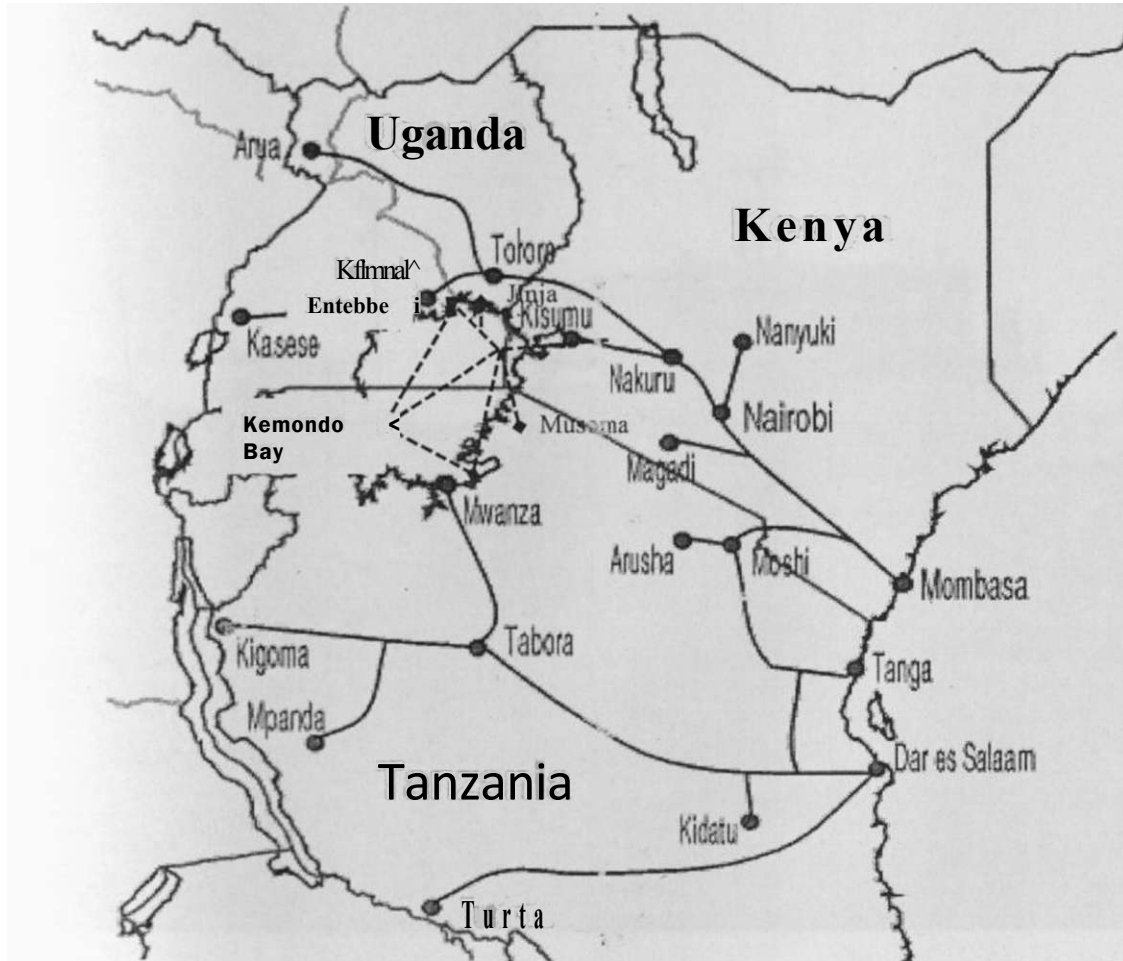
- 15 The ferry services were considerably scaled down following their suspension by Rift Valley Railways on November 1, 2006. Did this affect your/your company's business in any way? How?
- 16 Are you aware of the reasons for the suspension of the ferry services? Kindly explain.
- 17 To what extent would you say the suspension of the service has affected your/your company's volume of business?
- 18 How do you/your company transport the goods now?
- 19 Do you think that transporters significantly stopped transporting goods across the Region as a result of the suspension of the ferry services? What alternative means of transport is there?
- 20 What Social and economic effects, if any, do you feel the suspension of the ferry services has had on the community in which you work/live?
- 21 Are there any positive attributes from the suspension? Which?
- 22 What effect(s) do you think the suspension of the ferry services has had on trade in the Great Lake Region of Eastern Africa? Decreased trade?
- 23 Do you feel that the suspension was justified? Why or why not?
- 24 As a follow-up to the answer to question 23 above, would you recommend the reinstatement of the services?

PART D: SUGGESTIONS FOR FUTURE IMPROVEMENT OF SERVICE

- 25 If the services were to be reinstated, what strategies, interventions, tools, etc., would you recommend be sustained and/or scaled up? Please provide justification for your response.
- 26 What strategies, interventions, tools should be discontinued? Why?
- 27 What would you/your company do differently if the Train Ferry services were revived? Please explain.
- 28 What other suggestions would you have concerning the train ferry services?

Thank you very much for your time in participating in this interview.

APPENDIX 3: RAIL & TRAIN FERRY MAI OF EAST AFRICA

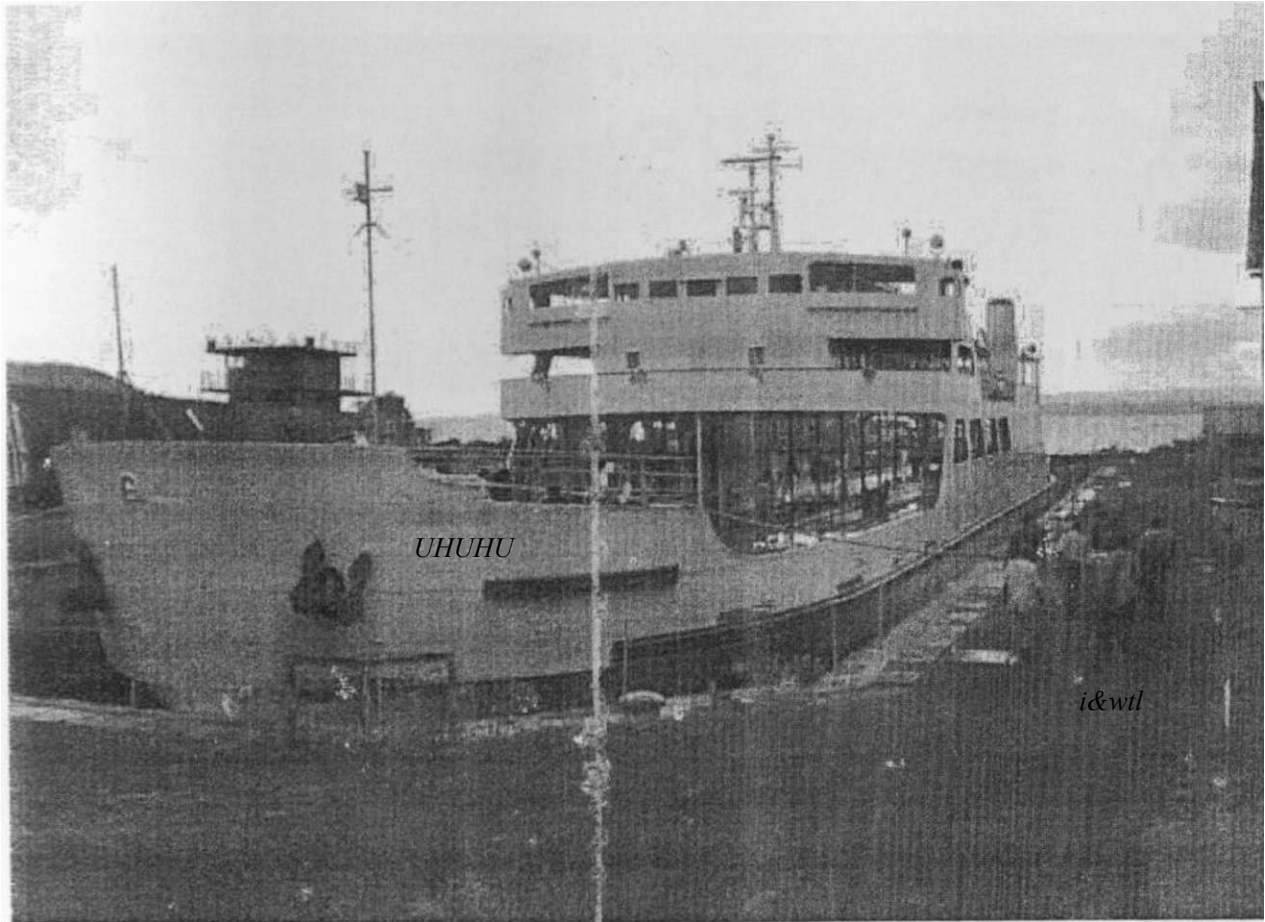


Legend

- Train Ferry Routes
- Railway Lines

t

APPENDIX 4 THE TRAIN FERRY MV U'IIURU AT THE SLIPWAY AT KISUMU PORT



(Source: *EARLakes: eastafricam railways/marinedivision/earlakes.htm*)

APPENDIX 5: THE MV UHURU ARRIVING IN MWANZA FROM KISUMU



The MV Uhuru (commissioned at Kisumu on 17 October 1966) arriving Mwanza from Kisumu laden with trucks carrying fuel and general merchandise

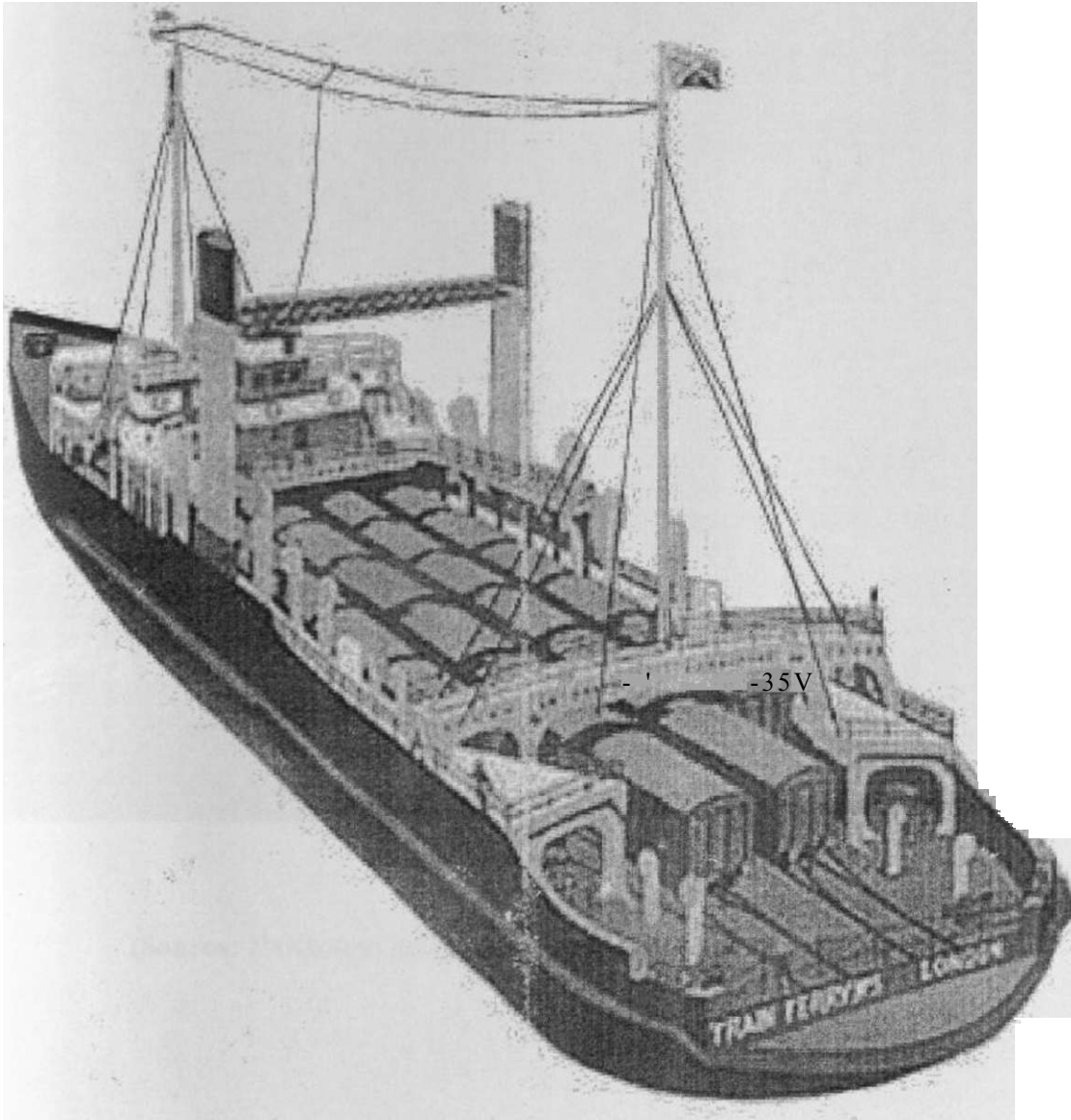
(Source: EARLakes: eastafricairways/marinedivision/earlakes.htm)

APPENDIX 6: A TRAIN FEKY IN THE UNITED KINGDOM



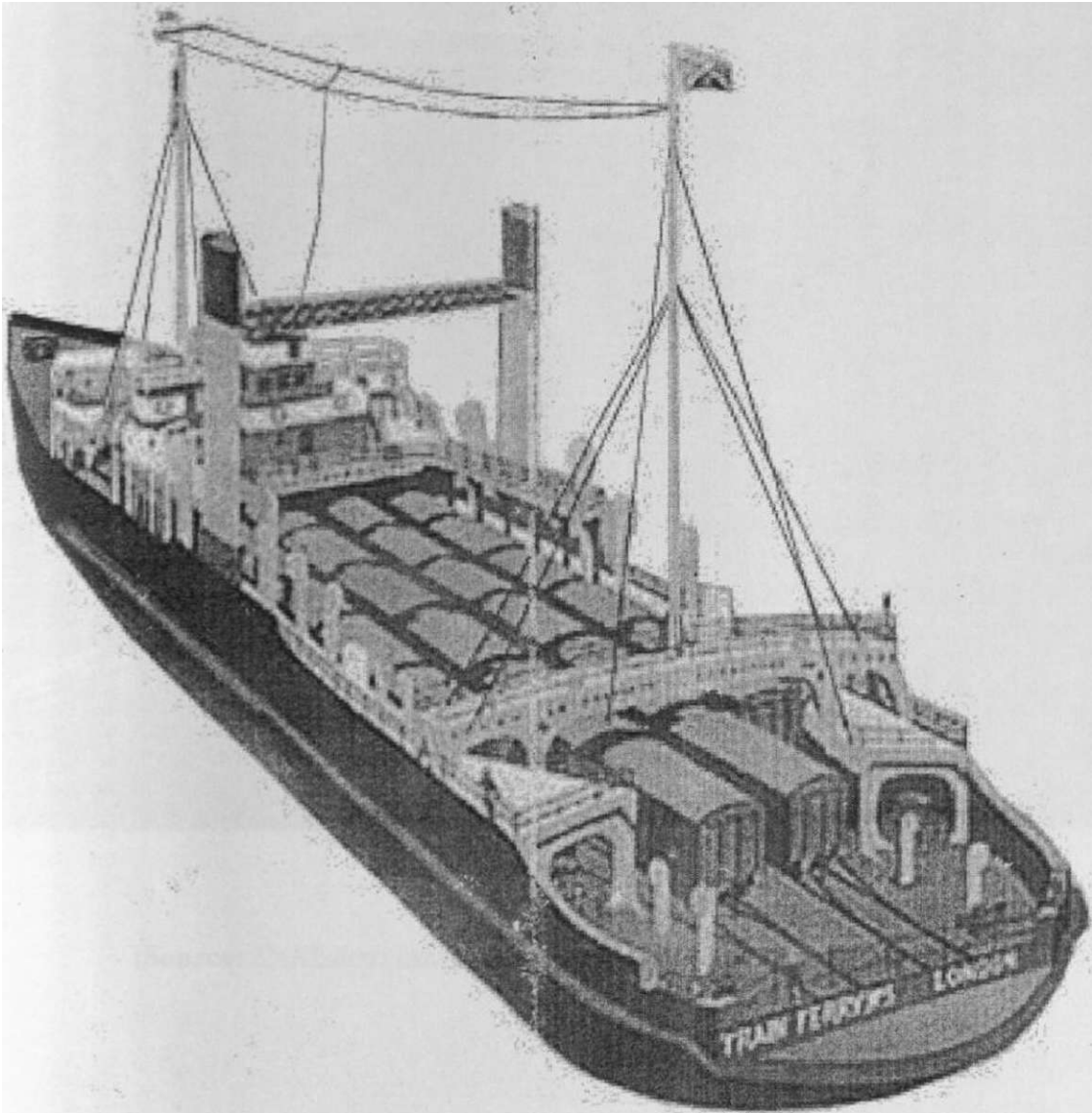
(Source: [www. jhcmtrasrail.co.uk](http://www.jhcmtrasrail.co.uk))

APPENDIX 7: A BIRD'S EYE VIEW OF A TYPICAL TRAIN FERRY



(Source: EARLcikes: eastafricanrailways/marinedivision/earlakes.htm)

APPENDIX 7: A BIRD'S EYE VIEW OF A TYPICAL TRAIN FERRY



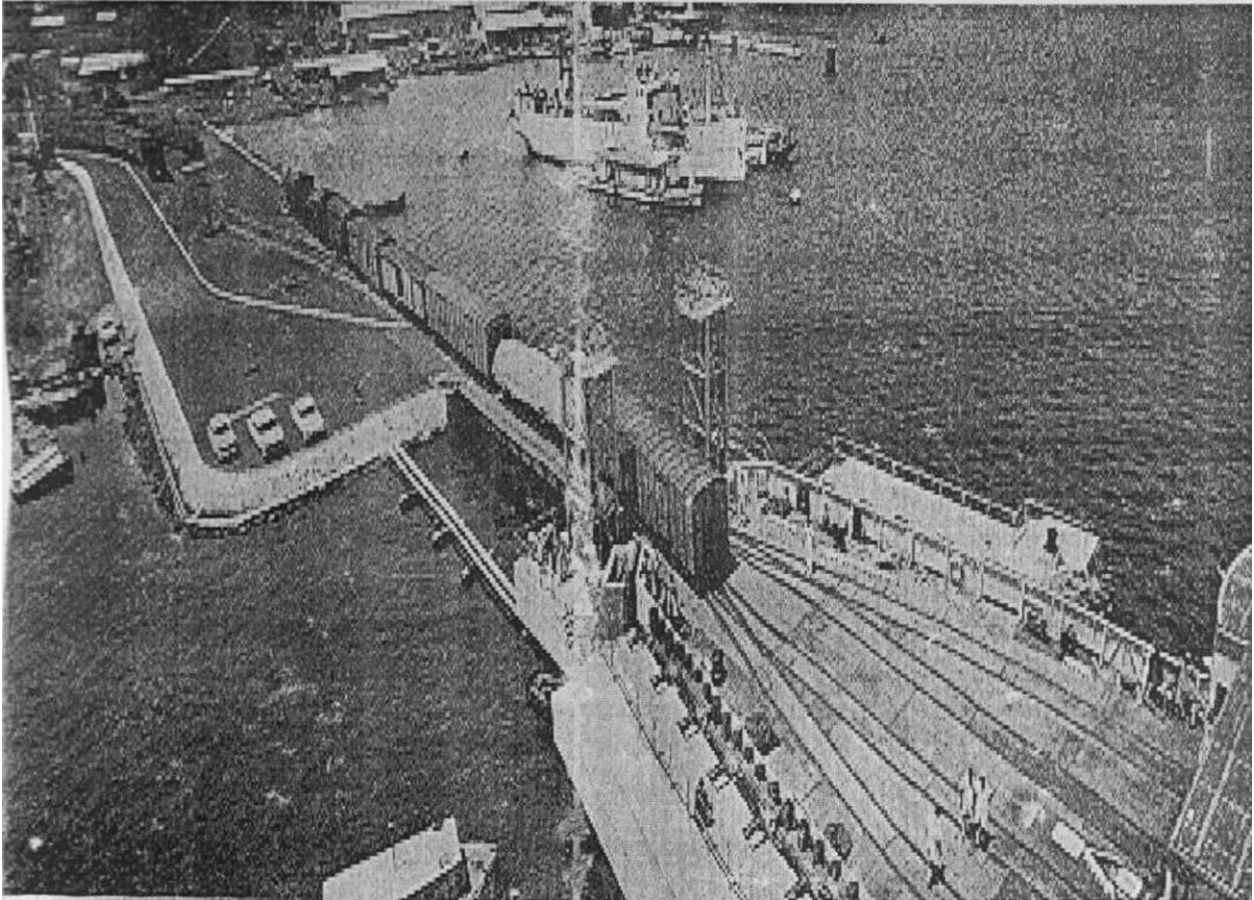
(Source: EARLakes: eastajricanrailways/marinedivision/earlakes.htm)

APPENDIX 8: KISUMU PORT WITH ONE OF THE TRAIN FERRIES AT THE LINK-SPAN



(Source: EARLcikes: eastafriar.*airways/mcirindivision/earlakes.htm)

APPENDIX 9: WAGONS BEING SHUNTED OUT OF A WAGON FERRY AT JINJA



Wagons being shunted out of a wagon ferry at Jinja Ferry Terminal, (commissioned in August '967)

(Source: *EARLakes: eastafrican.aailways/niarinedivision/earlcikes.htm*)

