UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

THESIS ON

AIRFREIGHT DEVELOPMENT IN KENYA
FROM 1977 TO 1980 FOR
THE DEGREE OF MASTER OF SCIENCE IN
MANAGEMENT AND ORGANIZATIONAL DEVELOPMENT

BY

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Finally, but not least, I need to thank Mrs. Pauline Nyagah who kindly agreed to type for me the original hand written draft. I am indeed grateful to all people who assisted me to complete this thesis, particularly Mr. John Kottonya, Mr. Ben Itugi and Mr. W. Olukune who consented to answer some technical questions which I had raised before I started to write.

Various manuals containing air cargo rules and regulations, together with various tariff books, have been referred to and in some cases important sections have been quoted. The minutes of the meetings held by Kenya Airfreight Forwarders' Association have been referred to in connection with various handling problems. Further reference has been made to IATA Live Animals Regulations (7th Edition of 1/1/1979), IATA Restricted Articles Regulations Manual (20th Edition of 1/11/1979), IATA Manual of Traffic Conference Resolutions for Cargo (Volumes I and II, Issues 5 and 6 of 1/10/1978 and 20/5/1978), ABC Air Cargo Guide (No. 278 of March, 1981) The Air Cargo Tariff (Issue No. 8

Reference was made also to Jomo Kenyatta Airport Movement Schedule No. 2/81 of 1/4/81, Customs & Excise Transfer Tax Management Act, Chapter 27 and books written by well known authorities such as Max Weber, Thierauf & Klekamp, Kast & Rosenzweig, Hicks & Gullett, H. Igor Ansoff, Hampton & Others, Miller & Starr, Voich Jr. & Others, Newman & Warren, and W. M. Harper. I am very grateful to these authors. The full titles of their books have been shown in the footnotes and in the Appendix section at the end of the thesis.
AIRFREIGHT DEVELOPMENT IN KENYA

INTRODUCTION

What is meant by airfreight and how has the airfreight industry developed in Kenya? The best way of defining airfreight is to define a consignment and then relate the movements of consignments to the airfreight industry. According to IATA Resolution 600 "the term 'consignment' means one or more pieces of goods, accepted by the carrier from one shipper at one time and at one address, received for in one lot and moving on one Air Waybill to one consignee at one destination address". The above definition covers the salient points of goods moving in one lot under the same documents from one place to another. It is, therefore, quite comprehensive. In this context the word 'carrier' in the definition refers to all airlines which are members of IATA (International Airport Transport Association). More details will be given about IATA in Chapter Two Section (3) below. To complete this definition we may add that an air waybill is the official airlines' certificate for carrying goods by air.

In order to talk about airfreight industry in Kenya we must note that the importers and exporters of goods in Kenya handle many consignments per month and the process is a continuous venture. It should also be noted that the handling we are describing here is done on commercial line, hence it is perfectly in order to talk about the airfreight industry in Kenya. Finally, for the purpose of this thesis airfreight and air cargo are considered as synonyms. We shall refer to airfreight and air cargo interchangeably in the rest of the parts of this thesis.

With the above definition of a consignment we can now formulate our definition of air cargo as one consignment (or more consignments) being transported by air from the

departure airport to the destination airport. Having defined air cargo, we would like to examine the way airfreight has developed in Kenya from 1977 up to the present time. This brings us to the question of export and import aspects of airfreight.

Kenya participates in international trade and for this reason we shall talk about goods exported from Kenya to Western Europe, North America and other parts of the world. We shall talk also about imported goods from those countries to Kenya. According to our definition above goods exported from Kenya (or imported into Kenya) by air are carried as consignments or airfreight.

In 1966 a new international airport, Nairobi International Airport, was opened in Kenya. This was large enough to accommodate big aircraft such as Boeing 747, DC8, DC10 and Super VC10 operated by the defunct East African Airways. The opening of the new airport led to a heavy increase in not only passenger traffic but also cargo traffic. Nairobi became the international cargo transhipment centre for countries such as Somalia, Malawi, Zambia, Tanzania, Botswana, Lesotho, Seychelles, Mauritius, Malagasy, Uganda, Rwanda and Burundi. The main trend still continues, except in the case of Tanzania which has closed its border with Kenya due to political reasons. Which are the main countries or regional areas which have joined Kenya in contributing to airfreight development? We shall examine these countries in Chapter One under sections (2) and (3) below.

Finally, it should be noted that the rest of this thesis is arranged in such a way that Chapter One deals with the description of countries participating in air cargo development in Kenya. Section (1) of Chapter One deals with the period selected for discussion, i.e. 1977 - 1980.
This period is selected because the records are not available for the period prior to 1977. Section (2) deals with export airfreight development and Section (3) talks about import airfreight. In Chapter Two of the thesis we continue to describe the main institutions responsible for developing airfreight in Kenya. Section (1) of this chapter discusses Kenya Airfreight Handling Limited; section (2) deals with Kenya Airways; section (3) explains the role of International Air Transport Association and its members; section (4) refers to Charter airlines and section (5) talks about cargo agents in Kenya. Chapter Three outlines the essential airfreight handling procedures in Kenya and Chapter Four elucidates the role played by the Central Bank of Kenya. These four Chapters form Part One of the thesis. In Part Two we have the problems or bottlenecks hindering rapid growth of air cargo. Chapter Five of Part Two deals with documentation problems - section (1) complexity of the documents; section (2) too many documents; section (3) documentation procedure and section (4) failure of planning. Chapter Six of this part examines handling problems - section (1) delays by KAHL; section (2) personnel; section (3) delays by airlines; section (4) business practice; section (5) charges; section (6) role of top management and section (7) technology. In Part Three the thesis attempts to suggest some practical solutions to the problems outlined in Part Two above. Chapter Seven discusses planning mechanism and section (1) describes planning requirement; section (2) reviews manpower; section (3) mentions some suggestions about top management role; section (4) is about technological suggestions; section (5) discusses fair trade practice; and section (6) is about finance. Finally Part Three brings us to the final conclusion. Chapter Eight discusses briefly the conclusion and future of airfreight in Kenya and the world as a whole.
In Chapter Eight airfreight insurance in Kenya has been briefly discussed in section (2). The last section of this Chapter discusses the valuation charges which are another form of insurance as far as airlines are concerned. Finally in the Appendix section we show all the general references which more inquisitive readers can refer to for further reading.

Reference will be made to "the Airport" instead of "Jomo Kenyatta International Airport." Where Moi International Airport, Mombasa, is concerned it will be written in full and not referred to as "the Airport".
PART ONE

I. CHAPTER ONE
Countries Contributing in Airfreight Development in Kenya

II. CHAPTER TWO
Institutions of Airfreight Industry in Kenya

III. CHAPTER THREE
Airfreight Procedures in Kenya

IV. CHAPTER FOUR
The Role of the Central Bank of Kenya in Airfreight Industry
CHAPTER ONE

COUNTRIES CONTRIBUTING IN AIRFREIGHT DEVELOPMENT IN KENYA SINCE 1977

1. AIRFREIGHT DEVELOPMENT FROM 1977-1980

A brief outline of airfreight development in Kenya has been given under the introductory paragraph above. Under the above heading and in sections (2) and (3) below we shall elaborate on export and import air cargo development since 1977 up to the present time. The records kept by Kenya Airfreight Handling Limited, Kenya Airways and other airlines do not go back beyond 1977. Hence we have taken only a four year period for our discussion.1

During this period we shall compare the volume of cargo handled at Jomo Kenyatta International Airport in 1977, 1978, 1979 and 1980, then comment accordingly in respect of the nature of the air cargo industry from 1977 to 1980 and in future. In this discussion we shall consider (a) total weight of consignments per year and (b) the number of shipments handled per year, and this will give us an indication of growth rate. To estimate the actual total revenue will not be possible because the airlines and cargo agents which handle cargo in Kenya will not be prepared to disclose the actual revenue earned during this period because of their own internal reasons. Again the Statistical Division of KAHL, which keeps cargo figures, does not have accurate revenue analysis as it has the figures for weight and the number of consignments. These are carefully recorded in export and import registers kept at the Airport. Then monthly and yearly figures are compiled by export and import offices in conjunction with the Statistical Division Office. With the above introductory remarks we can now go ahead to examine export cargo development in Kenya.

2. EXPORT CARGO DEVELOPMENT

Kenya is basically an agricultural country. In view of this it is obvious that the bulk of exports from Kenya to foreign countries consists of mainly agricultural products. If you look at export registers kept by KAHΛ, other airlines or cargo agents, you will realise that the main commodities exported from Kenya are coffee, tea, pyrethrum, fish, meat, confectionaries, beaverages, fruits and vegetables. In addition to the agricultural export items there are also manufactures such as curios and handicrafts, tins, drums, clothing, film rushes, stationeries, cartons, printing paper, aerogrammes, chalk, ink, books, exhibition materials, utensils, paints, furniture and personal and household effects. ²

While coffee and tea are transported by sea, a great deal of the above mentioned items are transported by air. In this respect transportation by air has a tremendous impact on Kenyan export sector of the economy. Where do these items go to? A great deal of our fruits and vegetables, plus flowers, are exported to Western Europe, mainly to Britain, West Germany, France and Scandinavian countries. The Netherlands, Italy, Austria, Spain, and Belgium also feature promptly according to the list in KAHΛ's export register. Other goods from Kenya are also exported to Western Europe.

North American countries of Canada and the U.S.A. also buy handicrafts and other manufactures from Kenya. In the Far East Kenyan exports find their way into Japan, Philippines, India and Hong Kong. Kenya External Trade Authority (KETA) tries as much as possible to assist Kenyan manufacturers and exporters to attend world trade conferences to promote Kenyan exports to foreign countries. As shown on page 10 of this thesis between 1977 and 1980 a great deal of airfreight activity went on at the Airport. The volume of

cargo in terms of weight and consignment shows clearly that in private sector of the Kenyan economy airfreight industry has acquired a high level of contribution to the economy and it is not wrong if we assert here that (assuming that the trend will continue) the figures on page 10 show that airfreight industry has become a major factor in Kenyan economy. KAHLE, Kenya Airways and Kenya Government must be all concerned, therefore, about air cargo handling at the Airport. The Government receives a good amount of foreign exchange in respect of goods handled at the Airport.

What is the trend of export cargo growth? Before we answer this question it is a good idea to mention some of the main exporters in Kenya. Sunripe, Superfresh, Makindu Growers, E.A. Growers and Nairobi Horticultural Exporters are some of the leading exporters of horticultural produce. Bob Harris Limited exports flowers to Holland, Denmark, France and Germany. Meat and meat products are exported by K.M.C. and Uplands Bacon Factory Limited. Other main exporters include Euston Films, Gilbeys (E.A.) Limited, Unesco, Oxford University Press, Longman, Cussons Limited, Pfizer Laboratory, KETA (exhibition matters), P.J. Products, Reckitt & Colman and Stirling Products. A reference to Kenya National Chamber of Commerce & Industry's Directory shows that the list is too long, hence it suffices to mention only a few major ones.3

The view taken by the economists of this country, especially the marketers in Kenya External Trade Authority, is that Kenya exports will continue to grow in future. Our trading partners of North America, especially the U.S.A., are becoming more and more interested in Kenyan goods. At the time of writing this thesis Express Kenya Limited has already opened a new market in the U.S.A. for curios and handicrafts.

3. IMPORT CARGO DEVELOPMENT

A few words must now be said about import cargo development. One question which comes to our mind is: which are our main imports in Kenya and from where do they come? A glance at K AHL's import register or copies of air waybills kept by the Statistical Division of Kenya Airways show that, among many others, we import newspapers and periodicals, publications, motor spares, electric equipments, diplomatic mail (for Embassies), film equipment and materials, tools, medicines and medical equipments, machinery, chemicals, tractors, radioactive materials, laboratory equipments, printing matters, agricultural equipment, radios and televisions, tractor spares, synoid (for paints), wood cutters, calculators, etc. These come from different parts of the world. But according to the records in Express Kenya Limited's import register and K AHL's register, most of the above imports come from the U.K., West Germany, Japan, France, Italy, Holland, Switzerland, Canada, the U.S.A. and other countries.

The above mentioned registers and copies of the air waybills kept by Kenya Airways Statistical Division show that some of the major importers in Kenya (but not the only ones) are The Standard Limited, Kenya Shoe Company Limited, Leonard Moore Limited, ILRAD, Delta Limited, Caltex Oil (A) Limited and other oil companies, Embassies and International Organizations (e.g. U.N. Bodies), Westlands Motors and other motor companies, Rai Plywood, University of Nairobi, Kenyatta Hospital and other hospitals, Kenya Bus Services Limited, B.A.T. Kenya Limited, Frankipile, Adscope, Acres International Limited, Burroughs Machines Limited, Transworld Radios, Nicholas Laboratories, furniture companies, Ford Foundation, Robbialac Paints Limited, Kenya External Telecommunications Company Limited, etc. There are many other main importers not included here.
Kenya has signed bilateral and international trade agreements with the same countries which buy export goods from Kenya. Naturally we expect the above mentioned imported goods to come from W. Germany, the U.K., Japan, France, Italy, Holland, Switzerland, Austria, Belgium, Scandinavian Countries, U.S.A., Canada, India, Hong Kong and other countries.\(^4\)

It should be noted that the volume and value of Kenyan imports outweigh the corresponding volume and value of exports. First, let us look at the import figures on page 10 for 1977, 1978, 1979 and 1980 as we did for exports. For the four years in question it is evident that on the import side a great deal of activity has been going on and the imported goods play a major role in the economy of this country. Many times we hear our leaders condemning the use of imported goods, but empirical studies show that for some years to come the country will continue to rely heavily on imported goods.

The figures show that Kenya imports are more than its exports, hence the problem regarding the balance of trade which favours Kenya’s partners in trade. In this thesis, however, we are more concerned about air cargo development and much time should not be spent on balance of trade. All that we can say here is that more export goods should be produced to match the import goods so that the balance of trade can be in our favour. This may not be possible in the near future but if efforts are made to improve and increase the volume and quality of our agricultural and manufactured goods, Kenya will improve the balance of trade between her and other countries.

The figures show that in the near future there will be more congestion in Nairobi and it may be necessary for the Government to make Moi International Airport, Mombasa, the

\(^4\) Import Registers for KAHL and Express Kenya Limited; Copies of Import Air Waybills at the Airport; Copies of Cargo Manifests at the Airport.
main airport for discharging cargo, especially consignments carried by charter operators. From Mombasa the charter flights will be able to uplift more weight (export cargo) than Nairobi because of the altitude (the capacity of an aircraft is usually affected by altitude while it is taking off).

<table>
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<tr>
<th>AIRFREIGHT VOLUME IN METRIC TONNES 1977/1980*</th>
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<tbody>
<tr>
<td>NAIROBI</td>
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<td>b) Exports</td>
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<td>c) Total</td>
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<td>MOMBASA</td>
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<td>a) Imports</td>
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<td>b) Exports</td>
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<td>c) Total</td>
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* Figures for 1980 have not been compiled by the Airport Authorities.

**Sources:**

CHAPTER TWO

INSTITUTIONS OF AIRFREIGHT INDUSTRY IN KENYA

Following the above definition and description of airfreight development in Kenya for the last four years we need to describe briefly the institutions and mechanisms of handling of airfreight in Kenya. The leading airport where most of the cargo is handled is Jomo Kenyatta International Airport. Most of the export and import consignments pass through it, but a few consignments destined for the Coast Province of Kenya are transhipped at Jomo Kenyatta International Airport and cleared at Moi International Airport, Mombasa.

1. KENYA AIRFREIGHT HANDLING LIMITED

Kenya Airfreight Handling Limited, as a subsidiary of the Kenya Airways, has been appointed by the Kenya Government to perform the functions of cargo handling at both Jomo Kenyatta International Airport and Moi International Airport. Kenya Airfreight Handling Limited (KAHL) is a monopolist in the sense that no other organization is allowed to compete with it by establishing a transit cargo shed with customs clearance facilities. KAHL, therefore, has undertaken to perform the cargo handling work for all those airlines which do not have their own staff to accept, despatch or deliver consignments as exports leaving the country or imports coming into the country. Acceptance, despatch and delivery of cargo are the main functions which are performed by KAHL on behalf of Kenya Airways and other airlines which carry air cargo out of Kenya and also into Kenya. It will be a good idea if we examine briefly the structure or the management hierarchy of KAHL so that we may understand how it works. 5

The top executive of KAHL is the General Manager and below him is the Deputy General Manager. Below the Deputy General Manager there are three heads of divisions:

5. KAHL - Organization Chart
export, import and statistics. Under export we have Export Cargo Superintendent with Export Warehouse Controller, two Export Cargo Officers and clerks. In the import side we have Import Cargo Superintendent assisted by Senior Warehouse Controller, two Import Cargo Officers and clerks. The Cargo Control Superintendent in statistical division is assisted by Senior Cargo Controller and two Cargo Officers. There are manifesting clerks, statistics clerks and tracing clerks supervised by Cargo Tracing Officer. There are also the Equipment Officer and Security Officer stationed in the Cargo Terminal.

It is necessary for us to know the management hierarchy for KAHL because reference will be made to this organization very often, as it is in the focal point of cargo handling at the Airport. Like any other dynamic organization, the above mentioned hierarchy is not static. It can change at any time. At the time of writing this thesis there are speculations that some changes are coming up. By the time that the printing is completed, perhaps the new management hierarchy will be effective.

The Airport cargo operations go on for 24 hours per day. KAHL operates, therefore, on shifts basis and the Cargo Terminal is usually a very busy place, especially from about 6.30 p.m. to about 10.00 p.m. when preparations are being made to despatch export consignments. Mondays are also very busy due to weekend freighters (aircraft carrying cargo only).

The above organization description shows the management hierarchy for the people responsible for handling all consignments coming into this country together with the shipments destined for overseas airports. What happens if a shipment has to be carried by other airlines apart from Kenya Airways? How does KAHL come in? Why does KAHL share the handling with the ultimate carrier? If, for example, a consignment is moving from New York to Nairobi, the carrier such as Pan American Airways will offload cargo on arrival and pass it over to KAHL who will record the cargo and deliver it to the ultimate consignee after the
delivery documents have been prepared and customs formalities are fully complied with. For the outgoing cargo KAHL will physically receive the consignments, check them and transfer them to the representatives of the carrier. More will be said about this dual handling procedure under section (2) below regarding the role of Kenya Airways. The point we need to stress here is that no single shipment can come into the country without passing through KAHL's shed. This monoplastic state of affairs makes it easy for KAHL to levy very high charges in respect of handling and storage fees. In the whole of Kenya Airways, KAHL makes more profits than other functional areas of the airlines.

Cargo agents and other airlines may set up their own facilities at the airport, but Kenya Government will not allow them to compete with KAHL which has been allowed to operate as the sole government agent. Together with the customs administration at the airports, KAHL collects a great deal of revenue each day for storage and handling fees.

Finally, but not least, KAHL supplements its monopolistic revenue with the revenue which it earns directly by accepting consignments from individuals, government agencies and some companies which do not want their goods to be handled by the cargo agents described under section (5) below. This is a field where other airlines and the cargo agents compete on equal terms with KAHL, and in many cases KAHL does not get the largest share of such consignments. However, some revenue is earned in this respect to supplement the monopolistic revenue.

2. KENYA AIRWAYS

We have seen under section (1) above that KAHL acts as a monopolist in cargo handling at both Jomo Kenyatta
International Airport and Moi International Airport, Mombasa. But KAHL is just a mere subsidiary company for Kenya Airways. The major airlines which operate through Kenya airports have signed (or made informal) ground handling agreements with Kenya Airways. These agreements are particularly covering ramp handling (i.e. loading and offloading of cargo into and from the aircraft), tallying of cargo and stacking in the KAHL's cargo shed, servicing of the aircraft while on the ground, preparation of cargo documents such as cargo manifests, release orders, arrival advice and final delivery to the clients or consignees. Most of these functions are performed by Kenya Airways through its cargo subsidiary, KAHL.

In cases where foreign airlines have decided to handle most of their cargo operations through their own staff instead of relying on KAHL, some aspects of the above mentioned functions will still be performed by KAHL. For example the delivery of import consignments to the consignee is the monopoly of KAHL. In view of this Kenya Airways acts as the general handling agent for all the airlines which operate through Kenya airports. We have heard about some airlines such as Lufthansa, Alitalia, etc., which have established their own facilities for handling their cargo. Their facilities include also their own cargo staff who do most of the essential operational work. However, Kenya Airways cannot be kept away from these airlines because of the monopolistic arrangement which we have already described under section (1) above.

Take for example consignments which have been received documented under charges collect facilities. KAHL as the ultimate delivering agent will collect the outstanding amount from the consignee on behalf of the delivering carrier which is Kenya Airways, and the latter will remit the money to the accepting carrier through the normal
accounting transaction. Even if an airline has established its own cargo handling facilities including the personnel, Kenya Airways must still play a very important role in ground handling which includes, not cargo only, but also some aspects of engineering. Most of airlines use Kenya Airways engineering facilities for checking their aircraft after landing and before taking off. This is very vital for the efficiency of the aircraft.

What are the main essential functional cargo areas covered by the various agreements between Kenya Airways and other airlines? Preparation of cargo manifests and transfer cargo manifests is an essential service because through the cargo manifest we compute the weight of the cargo to be carried on a particular flight. From the cargo shed (KAHL's cargo terminal) the respective pieces of freight to be shipped must be tallied by KAHL's tally clerks and handled over to the representatives of originating carrier. Where the particular airlines do not have their own facilities they rely on Kenya Airways for everything including the personnel although they normally have their skeleton staff to liaise with KAHL personnel. Computing the weight of cargo, the weight of fuel, the weight of passengers and proper balancing of the aircraft before it takes off are some of the essential aspects of ground handling agreements between Kenya Airways and other airlines.

Most of the well established airlines tend to set up their own cargo handling facilities. Lufthansa, Alitalia, British Airways, Scandinavian Airlines System, KLM Royal Dutch Airlines, Pan American Airways, Air India, Air France, Sabena Airlines, El Al Israel Airlines and Swissair are some of the airlines which have established their own cargo handling facilities although they still require Kenya Airways for tallying and stacking of cargo in the shed plus final delivery to the consignee with regard to

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6. Ground Handling Agreement with Other Airlines - KAFA Meeting of 2/8/79 Minute No. 42.1
import cargo. On the other hand a number of airlines such as Zambia Airways, Air Malawi and Nigeria Airways rely on Kenya Airways for the entire cargo handling. They are wholly handled by Kenya Airways because they do not have their own handling facilities. At this juncture we need to ask two questions: Which are the main airlines operating through Kenya airports? Which ones of them are IATA members and which ones are non-IATA? These questions will be answered under sections (3) (1) and (II) below, then in section (4) a few words will be said about the main charter operations in Kenya.

3. OTHER AIRLINES HANDLING AIRFREIGHT IN KENYA

I. IATA

Before we provide the list of the airlines which are members of International Air Transport Association (IATA), we prefer to explain what IATA is and what it does for its members.

IATA AS AN ASSOCIATION OF AIRLINES

By 1920's air transport had become a major concern for different governments of the world. The leading airlines decided to have an organization which would coordinate aviation processes and on 12th October, 1929 the Convention for Unification of Certain Rules relating to International Carriage by Air was held at Warsaw in Poland. Certain rules affecting air carriage were streamlined in this Warsaw Convention and many airlines signed to comply with these standard rules. After the ratification of the unified rules in 1929, some amendments were made and these were again ratified at The Hague Protocol of 1955. By this time International Air Transport Association had become a very important coordinator of air traffic rules.7

7. IATA Manual of Traffic Conference Resolutions Cargo
   Issue 6 of 1/10/1978, P. 600b (1)
The rules enforced by IATA cover standard tariffs, observance of laws of aviation and government laws, Contract of Carriage, rights and liabilities of airlines and shippers or consignees, standardised methods of handling air cargo and standardised documentation for cargo. These are done through committees set up by IATA Board. There is a compliance or disciplinary committee to enforce the rules.

II. IATA AND NON-IATA AIRLINES

With the above brief description of IATA, it is now proper for us to list those airlines which are active members or associate members. These are Air France, Air India, Air Malawi, Air Zaire, Alitalia, British Airways, Cameroon Airlines, El Al Israel Airlines, Egyptair, Ethiopian Airlines, Iberia, Kenya Airways, KLM Royal Dutch Airlines, Lufthansa German Airlines, Nigeria Airways, Olympic Airways, Pakistan International Airlines, Somali Airlines, Sabena Airlines, Swissair, Scandinavian Airlines System, Sudan Airways, and Zambia Airways. Other airlines which operate through Kenya airports but are not IATA members include Air Mauritius, Aeroflot, Air Madagascar, Air Zimbabwe, Luxair, Royal Swazi National Airways Corporation and Uganda Airways. 8

The above airlines, together with the charter operators mentioned in section (4) below are the main cargo carriers operating into Kenya and out of Kenya. Without them the cargo growth which was fully described above could not take place at all. The respective airlines in this list carry both passengers and cargo. Some of them, for example Lufthansa, focus a special attention on planning of more air cargo growth in future, not only here in Kenya but also in other parts of the world. Mr. Hellmisch, Lufthansa's Cargo Sales Manager in East Africa, assured me recently

8. 1. ABC Air Cargo Guide No. 273 of March, 1981, pp.6 - 11
    ii. JKA Movement Schedule No. 2/81 of 1/4/81.
when I visited him in his office at IPS Building that
their emphasis is on cargo growth and they carry a great
deal of air consignments whenever they go. At Seeheim
in Frankfurt (West Germany) they have installed one of
the most complex computers for handling the Lufthansa
Cargo network throughout the world. I saw it between
23rd and 26th March, 1981 when a group of IATA agents were
given a chance by Lufthansa to tour Germany. Other airlines
are also switching more and more of their attention to cargo
handling. The above cargo figures shown under Chapter One
sections (2) and (3) appear to indicate a steady growth for
the last four years and some cargo enthusiasts argue that
within the next ten years from now, cargo traffic may
overtake passenger traffic. Whether they are right or
wrong will be seen in future.

4. THE MAIN CHARTER AIRLINES

The figures shown under Chapter One sections (2) and (3)
above include the volume of cargo by charter airlines,
commonly referred to as cargo airlines. These charter
operators are responsible for the carriage of bulky cargo
and although they are not as many as IATA members, they do
a very important job in enhancing cargo development. The
main charter carriers are German Cargo, Cargolux, Pelican,
Flamingo Airways and others without regular services.
Fruits and vegetables from Kenya to Western Europe are
usually carried in large quantities by these charters.

For those clients who ship bulky or big volumes of cargo,
the charter flights are the best because their airfreight
charges are the lowest and they are not controlled by the
IATA inspectors. In view of this they offer the cheapest
price. For example from Nairobi to London you may pay
10/- shillings per kilo to a charter operator. To an IATA
carrier you pay 40.90 shillings per kilo if the weight is below 45 kilos or 30.70 shillings per kilo if the weight is 45 kilos and above. In view of this charter operators play a very important role in airfreight development in Kenya. The cargo industry requires the full participation of the charter operators, especially for the bulky and larger volumes of consignments.

5. IATA AND NON-IATA AIRFREIGHT AGENTS

In sections (1) – (4) above we have described the activities of KAHK, Kenya Airways, the main IATA members and non-IATA carriers together with the leading charter operators. However, the air cargo development in Kenya has been affected by the role played by the cargo agents, which are divided into IATA and non-IATA cargo agents. All the leading cargo agents in Kenya are members of IATA. These are A.M.I. Kenya Limited, Air Express International, Benham Holdings Limited, Express Kenya Limited, Globalfreight Limited, K.A.T.E., Maritime Forwarders, Notco (Nairobi) Limited, Pan Jair Freight Limited and Schenker (E.A.) Limited. These cargo agents have formed their own local association called Kenya Airfreight Forwarders' Association (KAFA). Airlink Limited, Citizen Clearing and Forwarding Limited, Express Handling Services, and Guyfreight Limited are smaller agents which have not joined IATA but are members of the local association, KAFA. 9

Apart from the above mentioned cargo agents, there are a few other small agents or individuals who participate in handling of air cargo within the country. These ones are not members of IATA, neither have they decided to join KAFA. They are Blue Clearing Agents, Cargo Enterprise Limited, G.M. Nazareth, Interfreight Services Limited, Kipkana Agencies, Mizigo Clearing Agent, and Government Clearing Agent. Small as these cargo agents are, it is a

9. KAFA Membership File
fact that they play a very important role in enhancing air cargo development in Kenya. In view of this we must consider them whenever we are evaluating the role of cargo agents in Kenya. As airfreight keeps on growing steadily, it is apparent and certain that after the current economic recession in the country has ended, more cargo agents will come up and at one time the competition for air cargo business will be as high as it is in Britain, U.S.A. and other parts of the world.\textsuperscript{10}

What are the roles played by these agents in respect of air cargo handling in Kenya? What procedures do the agents follow? What are their practices? First, it must be stressed that the agents collect cargo from the clients and secure exportation documents such as air waybills, invoices, licences and all other documents required to despatch cargo from Kenya to other parts of the world. On the import side they not only secure cargo from the clients but also prepare the necessary documents for clearing of import cargo and ultimate delivery to the consignee. They work side by side with KAHL in respect of actual cargo delivery.

In view of the foregoing analysis all the leading agents have their offices located in the cargo terminal at Jomo Kenyatta International Airport. In each agent's office, there are staff members who have specialised in handling of import cargo, export cargo and consolidated cargo together with transhipment cargo.

Membership of IATA (or KAFA) has certain benefits to the agents. Clearing of import cargo can be done by any agent or an individual, but issuing of an air waybill, which results in 5% weight charge commission being retained by the agent, can be done only by those agents which have approved IATA licences. This means that those agents who

\textsuperscript{10} Oral Interview with Mr. Ben Itugi of Express Kenya Limited.
have not yet secured IATA licences will not handle export consignments in the normal way. Kenya Airfreight Forwarders' Association membership is also very important for the agents. The association holds monthly meetings in the Board Room of Aerodrome premises at the Airport. The monthly meetings are attended by representatives of KAHL and Customs. Here the problems related to cargo handling are discussed and the members air their views to both KAHL and customs officials regarding recommendations about efficient handling of airfreight at the Airport. In short any relevant problems can be discussed in these monthly meetings, hence it is very important for all the cargo agents in Kenya to join KAFA. IATA membership is equally important for the reasons which have already been explained above.

It is, therefore, a fact that the cargo agents in Kenya are the leading factor in cargo development. They have very active sales staff who go to the main importers and exporters and persuade their clients to use air transport in transporting their consignments to different parts of the world. They assist the airlines, therefore, in doing the sales work which would have led to employment of additional staff if the airlines had to be responsible for such work. While Kenya Airways and other airlines provide facilities for carriage of cargo, the cargo agents do an excellent job in collecting cargo from different customers and preparing the required transportation documents before the goods are handed to the airlines for the despatch to the final destinations. Cooperation between the airlines and the agents is the cornerstone of air cargo development in Kenya.
CHAPTER THREE

AIRFREIGHT PROCEDURES IN KENYA

1. INTRODUCTION

What are the essential aspects of airfreight handling in Kenya? What are the main import and export handling procedures in Kenya? How does the sales function work? We cannot appreciate the process of air cargo development in Kenya unless we know something about the handling and sales mechanisms. Each airline and each cargo agent must keep for reference the main cargo tariff and regulations books and manuals shown as foot-notes of this chapter. It is recommended that we examine the responsibilities of the cargo agents and the airlines before we discuss the actual handling procedures and sales aspects. Pan American Airways has given the following responsibilities to the agents:


(a) "Accept goods from shipper, or arrange acceptance."

(b) "Deliver shipment, or arrange delivery to PA 'Ready for Carriage' according to Resolution 608" (see next paragraph).

(c) "Collect and accept payments of prepaid charges."

(d) Other duties include training of cargo personnel, sales reports, prompt payments to the airlines and compliance with the IATA rules in following proper methods of handling cargo.
In the IATA Traffic Conference Resolutions (Cargo) the responsibilities of the cargo agents include correct completion of the air waybill, documentation according to the established rules and regulations, marking of packages, packing and labelling of packages according to the established specifications and securing of shipper’s certification in the case of restricted cargo. The agents must avoid misrepresentation or violation of the rules. The airlines must also observe the same rules and regulations and adhere to the other resolutions in addition to Resolution 608. For example Resolution 811 deals with all IATA cargo agency rules which must be observed by both airlines and agents alike, and Resolution 600b deals with contract of carriage, liabilities, claims, etc., which must be observed by the consignor, consignee, the agents and the airlines as well.²

After reading Pan Am Clipper Cargo Manual, E.A.A. Manual (adopted by Kenya Airways), Air Cargo Tariff and IATA Resolutions Manual we have established that most airlines modify the rules to suit their local environment although the basic regulations tend to be standardised. The purposes of the Warsaw Convention of 1929 and The Hague Protocol of 1955 were actually to unify the aviation rules.

2. IMPOR T HANDLING PROCEDURES

With the above remarks about IATA regulations, we can now go ahead to examine import regulations in Kenya. The essential rules and regulations which are summarised in The Air Cargo Tariff include the following items:³


3. Customs Tariff Book; The Air Cargo Tariff (Issue No. 8 of April, 1979).
I. Commercial Consignments

These require 3 commercial invoices, certificate of value, certificate of origin, AY-1 certificate for goods from EEC countries, import licences, description of goods (weight, quantity, nature, value, kind of packing, country of origin, freight charges, insurance and means of transport), number and date of the licence or open licence number must be stated in the letter of credit.

II. Samples

No proforma invoices are required if the samples are of no commercial value. If they have a commercial value subsection (I) above will apply. Duty deposit will be paid for dutiable samples but upon re-exportation of the samples within 6 months, the duty deposit will be refunded.

III. Gift Consignments

The expression "Gift" must be endorsed on both air waybill and 2 copies of proforma invoices.

IV. Unaccompanied Baggage

A detailed packing list can facilitate clearing. Customs Form C.20 must be filled and shown with the passport to the customs officials. However, certificate of value may be required if the value exceeds twenty shillings.

V. Restrictions

Various consignments are handled under restricted rules which consignees must comply with.
For live animals a prior permit and health certificate issued 10 days before departure are required. Veterinary Department will be advised prior to arrival, and Kenya embassies can issue permits for dogs and cats. The dogs require rabies inoculation approved by WHO.

Cattle require a health certificate stating that they have come from an area free of easily communicated diseases (infections of contagious diseases). They must have passed a tuberculin test 20 days before they come to Kenya.

For live birds, fish and their eggs a permit must be issued by the Game Department, while in the case of plant or plant materials there must be inspection on arrival in addition to prior import licence from the Department of Agriculture. Health certificate and phytosanitary certificate are essential.

Firearms and explosives (except for sporting) require import licence, while wines and spirits will be licenced by the Department of Trade and Supply. This is not applicable if importation is done by Kenya Wine Agencies Limited. Brandy, in particular, must be certified as suitable for human consumption. Narcotics may be imported for scientific or medical purposes only. Finally, human remains will require death certificate and cremation certificate if it is cremated. Goods going to or coming from South Africa are forbidden or prohibited. There are also other general import regulations which are applicable to most of the countries which are participating in international trade, e.g. The General Superintendent facilities for inspection of goods).

We have import rules and regulations, especially in respect of restrictions. Before we discuss about export
regulations we would like to say a few words about what happens when import cargo comes to Jomo Kenyatta Airport. This is necessary because some of the problems discussed in Part Two Chapters Five and Six are caused by the procedures for handling. On arrival all consignments are offloaded and handed to KAHL's import bond clerks, who count the number of pieces received and tally what has been received against what is being transferred as shown in the cargo manifest or transfer cargo manifest. If the complete consignment has been received, the bond clerks stack the pieces in the warehouse and a specific location number is given to the shipment. The clerks will then issue arrival advice and release order to advise the consignee or his agent. In the case of goods to be cleared by the cargo agents, the arrival advice and release order are placed in the pigeon hole for the agents to collect.4

On receipt of arrival advice and release order the clearing agent prepares a customs entry (C.16/17/S16) and submits the entry together with copies of invoices and air waybill. These are stamped by the customs to show approval, then customs duty is paid, KAHL's handling charges are also paid before the goods are collected and delivered to the ultimate consignee. This description is an oversimplification of what happens at the Airport. Occasionally you find that there are problems of missing pieces, pilferage, damage sustained by packages, etc. These problems will be discussed in Part Two Chapters Five and Six.

In the next paragraph we shall say a few words about the export procedures then proceed to discuss the problems and suggest possible solutions in Parts Two and Three of this thesis.5

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5. Oral Interview with KAHL's Representatives.
Where a consignment consists of five pieces and only three pieces can be found on arrival of a flight, the necessary irregularity report will be raised by KAHL or airlines representatives. The irregularity report will give the essential details of the missing pieces such as type, weight, size, flight and date, then such details will be sent to all the parties concerned. The originating carrier and the route stations will be advised and a tracing action will continue until the missing pieces are located. If they are lost, claims will be submitted by the owner or his agent to the carrier in accordance with the terms of the conditions of carriage as defined in the Warsaw Convention of 1929 and amended by The Hague Protocol of 1955. IATA Resolution 600b contains the essential points covering liabilities and claims. The airlines, agents, consignors or consignees have their rights and liabilities under the conditions of carriage.6

3. **EXPORT HANDLING PROCEDURES**

The export handling procedure usually follows the standard method established by IATA. The essential aspects have been outlined in the IATA Resolution 608. These include the following items:-7

I. **Documentation**

(a) Preparation and distribution of copies of the air waybill in accordance with the established rules.

(b) Preparation or securing other essential documents like invoices, customs entry, shipper’s certificate in the case of restricted cargo, permits and certificates for handling animals and other relevant documents.

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(c) Marking, weighing and packing of goods according to IATA specifications. Such goods must be properly labelled for smooth air transportation.

II. Handling at the Airports include handing over the goods and the documents to KAHL representatives who will record the details in the export register, prepare the cargo manifest and eventually despatch the shipments to the ramp handling staff (loaders or loading agents) for final despatch to various destinations. There are usually less problems on the export side than in the import side.

III. For certain restricted cargo such as radioactive goods or paints the shipper will have to complete the shipper's certificate of restricted articles, which has been designed by IATA. This is done mostly for dangerous cargo. The manual for restricted articles specifies the method of packing, the quantity per package and an amount which can be accepted for carriage at any one time. Some of these goods can be carried on passenger flights while others are restricted to cargo aircraft only.

Finally, export consignments must be accepted in accordance with the rules and regulations (or laws) of all countries through which the goods are going to pass. For example export consignments going to Israel must not be carried by flights passing through Arab countries due to the known political reasons.

Handling of export goods, therefore, require more care than handling of import goods. If the correct weights or charges are not applied by the accepting agent or carrier, IATA inspectors can file a case against the latter. For example, in 1972 a case was filed against the defunct Nakulines for failing to apply the correct standard rate and the company was fined by IATA compliance office. Some years ago the

licensure for Express Kenya Limited was suspended for a similar mistake. 9

The customs officials also occasionally raise an offense report if the rules and regulations are not followed by the accepting agent or carrier. For example, a consignment of game trophies would be seized by the customs and offense report raised against the accepting agent or carrier unless the relevant and authorised permits for exportation are available. The rules and regulations for export procedures are normally followed very strictly by all the parties concerned. 10

4. MARKETING & SALES ASPECTS OF AIR CARGO IN KENYA

At this juncture we need to say a few words about marketing and sales functions in the air cargo industry in Kenya. How do the cargo agents manage to exist in cargo business? How do they organise their marketing and sales activities? How do the airlines do the same? It should be noted that the cargo market is international and any marketing and sales processes must cover almost the whole world.

All the established IATA and non-IATA Cargo agents conduct very vigorous sales campaign and other aspects of sales promotion. They have sales representatives who make personal visits to the clients here in Kenya. The senior marketing and sales personnel and top management officials occasionally go abroad to make contacts with their clients or prospective clients. At the time of writing this thesis, for example, the General Manager, the Sales Manager and the Airfreight Manager of Express Kenya Limited, one of the leading cargo agents in Kenya, are at Vienna in Austria to attend World Air Cargo Organization Conference. When they come from the Congress, they will pass via London to visit Express clients and associates. Recently the Group Managing Director of the same company went to the U.S.A. and in

10. Customs and Transfer Tax Management Act, Chapter 27.
October and November, 1981 other officials will go to Mexico, Hawaii, and U.S.A. 11

It is not Express alone that does sales promotion overseas. All established agents do the same thing and competition in the overseas markets is as keen as it is at home here in Kenya. But nobody can afford to go to overseas countries as often as sales promotion function requires. This is partly due to sales expenses involved and partly because of exchange restrictions imposed by the Central Bank of Kenya. For these reasons all the established cargo agents have their sales agents abroad. These are cargo agents in the overseas countries. For example Express Kenya Limited has its agents in Canada, U.S.A., the United Kingdom, France, Germany, Japan, Hong Kong and other parts of the world. The overseas agents channel the consignments, which they have accepted for Kenya based consignees, through Express. In the same way Express will also channel the goods accepted in Kenya for overseas consignees through Express overseas agents. Other cargo agents follow the same principle and the cargo agents actually do international type of business. They act as multinational companies.

Without the international connections no single cargo agent can manage to do a reasonable business. If you check copies of cargo manifests of charter and international flights, you will see that all shipments which come as consolidations are addressed by one cargo agent at the departure airport to another cargo agent at the destination. This international aspect of cargo handling has been the main stimulating factor in air cargo development in Kenya. 11

Some of the cargo agents as Notco (Nairobi) Limited, Air Express International, Pandair, etc., are foreign companies which have found it fit to open their offices in Kenya. Others, like Express Kenya Limited, are local companies.

The foreign and local companies do the same business without problems apart from competition in acquiring new clients.

Another factor which has contributed to a rapid air cargo development in Kenya is that Jomo Kenyatta Airport has become the leading cargo transhipment point in Africa. Cargo destined for Malawi, Zambia, Zimbabwe, Somalia, Mauritius and Malagassy will come to Kenya and then be transhipped to the various destinations. This process is quite common with cargo from Western Europe, North America and the Far East. For this reason both airlines and cargo agents have transhipment facilities at the Airport.12

The marketing and sales functions have played a major role in air cargo development in Kenya. At home the airlines and cargo agents are actively knocking at the doors of major exporters and importers of air consignments. In overseas countries their appointed agents do the same. In this manner the cargo business is developed not for the Kenya market alone but for the world market at large. No marketing and sales functions can be complete without mentioning revenue. What are the main sources of revenue in cargo handling? Airlines earn their revenue on weight charge. This means that the shippers pay a certain rate per kilo. There are also handling and other charges earned by airlines. The cargo agents retain 5% commission of the weight charge on each export consignment. They retain also handling charges for export consignments accepted through them. On the import side the agents charge their clients agency fee which ranges from 0.5% to 1% of the C.I.F. value of a consignment.

The weight charge gives the airlines the greater part of their cargo revenue for the more weight they carry the more they earn. On the side of the agents the 5% commission is a good source of revenue for export goods. But 0.5% or 1%

12. Copies of Air Waybills kept by KAHL at the Airport.
agency fee on C.I.F. value of import consignments is the greatest source of revenue. For example recently Kenya External Telecommunications Company Limited, Kenya Furfural Company and Stores Department of Kenya Posts and Telecommunications are known to have imported goods worth more than one million shillings at one time. The agency fee based on 1% of the C.I.F. value on one such consignment could earn a revenue of over 10,000 shillings for an agent in one consignment only. How about if the agent handles 10 consignments of that value in one day? 13

Although the agents do more to sell airfreight, the airlines are also very active. In fact the clever salesmen from the airlines tend to establish cordial relationship between them and the cargo agents. The airlines use various methods to motivate agents to give them cargo. Gifts, free air tickets, cock-tail parties, etc., are some of the methods used by airlines in promoting sales through agents.

CHAPTER FOUR

THE ROLE OF CENTRAL BANK OF KENYA

The role played by the Central Bank of Kenya (CBK) is very important in cargo handling in Kenya. The general functions of the CBK are (a) issuing of bank notes (currency), (b) controlling monetary policies by regulating the activities of commercial banks, (c) it is a banker to the commercial banks and (d) it acts as banker and financial adviser of the Kenya Government. The CBK uses (i) cash reserve requirements, (ii) liquidity ratio (iii) selecting control and (iv) external relations as tools of control. What happens, then, in the airfreight industry in Kenya? The CBK plays a very important role as shown in sections (1) and (2) below.

1. EXPORT CONSIGNMENTS

The CBK issues licences for not only export consignments but also for import consignments. All exporters in Kenya must be registered with the CBK. Exchange control rules and regulations have laid down the procedures which the exporters must comply with. The new Form CD5C must be lodged by the exporter with a bank within 14 days from the date of shipment and the exporter’s bank must forward it, properly completed, to the CBK “within 21 days from the date of receipt of the proceeds.” These, and other, measures are taken by the CBK to ensure that the payment is received in Kenya for our exported goods. Control of foreign exchange, in this respect, is a major concern for the CBK. All exported goods with value of shillings 5,000 or above require Form CD3 to be filled, unless exempted. In this manner the CBK and customs authorities keep the track of cargo traffic in respect of uplift analysis.

Any exported consignments must be properly accounted for. Even if no return payment is expected, the CBK must be satisfied that the appropriate action has been taken and "NO PAYMENT TO BE RECEIVED" remarks endorsed in box 27 of Form CD3. "The exporters and exporting agents must be registered with the Central Bank of Kenya" unless they have approval to export goods prior to lodging Form CD3. Export consignments should be paid for within 3 months from the date of shipment and an exporter who is required to give credit to his client beyond this period should obtain a permission from the CBK. The written request for the permission should be made through the exporter's bank.

In conclusion we note that control of payment for exported consignments, control of foreign exchange and keeping records of uplifted goods are the main areas where the CBK plays its role in air cargo handling in Kenya. Let us now see the import role in the next section.

2. IMPORT CONSIGNMENTS

We have referred to Form CD3 which is essential for control of export consignments. For import consignments the CBK requires the importers to fill Form C.57. In this document the importer or his agent will fill certificate A which is a declaration "in the case of goods imported on purchase outright." "If the importer is the agent of, sole concessionaire for, or branch of or in any way connected with the supplier, then he must complete certificate B overleaf." Certificates A and B are incorporated in the same Form C.57.

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2. CBK's Exchange Control Circular No. 1/80/13; Copies of Forms C.57 and CD3; Notice No. EC 51/52/03C of 22/2/1980 (CBK)
To highlight the role of the CBK we should describe briefly the requirements of certificates A and B. The CBK in each case would like to know the details of the importer, the relationship between the supplier and the importer, the value of goods, the name and address of the supplier, method of payment including the currency selected, the nature and quantity of goods, whether other parties apart from the importer may have claims to goods, and additional payments to be made in Kenya.

Like in the export side the role of the CBK in the import side is to track import consignments coming into the country, preserve foreign exchange by regulating importation of foreign goods and controlling the economy of the country as a whole. In short, Form C.57 is a declaration document. Customs entry Form No.C.16/17/ST6 together with the invoices are also usually submitted to the CBK after the incoming goods have been cleared, especially for dutiable goods. Even if consignments are not dutiable, the formalities are followed and the documentation is done to satisfy the CBK.

The CBK emphasises that only people in authority can sign Form C.57 in the case of a private company, for example a partner or a director or the secretary plus any employee duly authorised in writing by one of the aforementioned executives. But the individual importer is allowed to complete it by himself or herself.

In view of the foregoing description, it is evident that the CBK plays a very useful role in airfreight development in Kenya. At the time of writing this thesis many importers have their licences delayed by the CBK due to foreign exchange problems. This temporary problem has adversely affected the rate of airfreight growth in Kenya, but we hope that our foreign exchange position will improve in future so that the present import restrictions may be relaxed.
PART TWO

V. CHAPTER FIVE
Problems and Bottlenecks in Airfreight Handling: The Documentation Aspect.

VI. CHAPTER SIX
Problems and Bottlenecks in Airfreight Handling: The Handling Aspect.
CHAPTER FIVE

PROBLEMS AND BOTTLENECKS IN AIR CARGO DOCUMENTATION

In Part One we discussed the air cargo industry in Kenya in connection with KAHL, Airlines and agents participating in cargo handling in Kenya. We discussed about the role of the Central Bank of Kenya and the growth of cargo from 1977 to 1980. Chapters One, Two, Three and Four in Part One covered the above mentioned topics. In Part Two we would like to discuss the problems existing within the airfreight industry. This Chapter discusses documentation problems and in Chapter Six we shall deal with handling problems.

1. COMPLEXITY OF DOCUMENTS

One of the problems hindering a quick growth of air cargo is the complexity of the documents used for clearing import cargo. In some cases the documents have been simplified, but to a large extent most of the documents used at Jomo Kenyatta Airport are complex. Take for example Form C.57 required by the Central Bank of Kenya for clearing import cargo. This form was designed many years ago under the defunct E.A. Customs and Excise. The notes appearing at the bottom of part A of the form are supposed to assist importers in completing the form, but they do not tell us when to delete and when not to delete certain sections of the form. It is still referring to E.A. currency which is no longer there. It requires experience to fill the form. There are also other import complex documents.

On the export side air waybill contains address and the country of the consignee. Yet you find that if you are exporting your goods to the countries of European
Economic Community, you fill Form EUR,1 as a movement certificate in addition to the air waybill, invoices and customs entry form C.31 or C.33 whichever is applicable. If Form CD3 is also filled, you can see the complexity in the whole exercise. The details in Form CD3 are identical or similar to the same details required for Customs Form C.31 or C.33. These two (and other) forms could be easily combined to avoid unnecessary complexity. The point is that the exporters and the importers could save time they spend in preparing these forms if they were less complex. The cargo agents charge a great deal of money for preparing these forms. For example the charge for preparing a C.31 or C.33 ranges from 40 shillings to 60 shillings per entry, depending on which agent is doing the work. If you are a regular exporter, this would be an expense that you would not be wise to ignore.1

Apart from expenses on complex documentation there is also the question of delays in clearing cargo or processing export cargo through customs. The imported goods take, for example, from three to seven days to clear at Jomo Kenyatta Airport. Documentation accounts for 90% of the delays. Two consignments came, for example on 13th of April, 1981. The clearing agent took two days to prepare Form C.57 and Form C.16/17/ST6. On the following day (16th April) the complete set of documents went to a customs official for approval before cargo could be cleared. Easter Holiday set in on 17th April and the poor consignee could not receive his goods until 23rd April. There are cases where delays have occurred up to 14 days due to different factors including complex documentation. After examining import register for Express Kenya Limited I have come to the conclusion that the complexity of documentation is one of the leading contributory factors in clearance delays at

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Jomo Kenyatta Airport. What are the remedies of this problem? Why have the authorities concerned not been able to do something about the problem? These questions will be answered in Part Three of this thesis.

Another problem related to complexity of documentation is that the customs officials cannot up-date their records. For example in a recent KAFAs meeting "Members reported that Customs appeared to be raising the same queries each year in spite of the fact that such queries had been satisfactorily answered in the previous years. Obviously no efforts were being made to amend records - the Assistant Commissioner of Customs (North Region) would be asked to intervene." It can be seen here that the KAFAs members were very concerned about being asked to give details of the information they had already, provided in the previous years. Complexity of documentation, therefore, is a basic problem at the Airport.

2. TOO MANY DOCUMENTS USED FOR ONE FUNCTION

The problem is not only about the complexity of documentation, but also the number of documents used for performing a single function. In some cases the delays are caused by mere duplication of documentation which is not serving any useful purpose. In some countries you can present a copy of an air waybill and have your goods cleared. In Kenya you need, in addition to the air waybill, invoices, form C.57, form C.16/17/ST6, Certificate of use and other documents depending on the type of goods you are importing. The solution to this problem will be fully discussed in Part Three of this thesis. Until recently form C.16 and C.17 used to be separate forms for dutiable

2. K.A.F.A. Meeting Minute No. 17.3 of 26th March, 1981.
and non-dutiable goods. They were combined a few years ago under C.16/17/ST6 and the combined form can now serve the three different functions of dutiable goods, non-dutiable goods and sales tax. The combination process could be carried out to affect forms C.57, C.16/22, C.24 and C.25 without interrupting the system of handling import cargo.  

Form C.57 had been explained earlier. It is basically a CBK document. Form C.16/17/ST6 is used for assessing import duty and sales tax, form C.16/22 is for ex-warehouse for home consumption goods entry, C.24 is ex-warehouse removal entry and C.25 is a re-warehouse entry. The details in these documents are basically the same but they serve different purposes. In my opinion we can reduce the number by the process of combination as it was done with C.16 and C.17. Sometimes the importers have to fill two sets of documents, for example if they want their goods to be removed from Jomo Kenyatta Airport to a bonded warehouse while pending clearance.

On the export side we had mentioned the CD3 form. This document contains all the required information in form C.31 or C.33. Form CD3 is basically a CBK document, C.31 is a customs document covering goods which are locally manufactured and C.33 for goods imported in Kenya and are being re-exported. Let us take for example transportation of goods locally manufactured from Kenya to France. You will be required to have an export licence, you will complete forms CD3 and C.31. France being European Economic Community member state, it requires form EUR.1 to be completed. Suppliers' invoices will be available in addition to export certificate endorsed by an official of the Ministry of Agriculture in the case of horticultural

produce consignments. By the time that the airlines air waybill and cargo manifest are prepared for air transportation of your consignment, too many documents have been prepared and passed by the customs officials and plant inspectors in the case of horticultural produce. While some of these documents are very essential and we cannot do without them, the others are not.

Why do we want to cut down the number of documents used in handling of airfreight? The documents are required to process consignments. If they cannot be processed quickly the whole handling function will be inefficient, and such inefficiency retards the rapid growth of air cargo in Kenya. We have already referred to some goods which came to this country on 15th April, 1981 but were not cleared until 23rd April. We have further referred to cases of delays up to 14 days. The import registers maintained by Express Kenya Limited and other cargo agents show the date when goods are received by KAHL, the date when KAHL passes the arrival advice and release order to the agents, when the agents prepare customs form C.16/17/ST6, when the form is submitted to Customs officials for approval, when the form is actually approved and duty paid, when KAHL's storage and handling charges are paid and when cargo is located or collected and delivered to the consignee. For this reason it is very easy to pin down where the problem lies in all cases of delay. These delays retard air cargo development process, hence it is necessary for all the parties concerned to think about their solutions. Some of our suggested solutions will be discussed in Part Three.

Another question which we need to ask here is the other contributing factors. Is it documentation alone or are there some other factors which contribute to the delays and other problems at the Airport? Obviously there are others

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such as lack of up to date equipments, lack of qualified personnel and the number of flights arriving with cargo per day. These will be discussed in the following sections. It is felt strongly that the idea of using too many documents is a major drawback to the industry and the authorities concerned will take measures as suggested in Part Three of this thesis.

3. DOCUMENTATION PROCEDURES

The documentation procedures are too slow. Recently there was a dispute between Express Kenya Limited and Avery Kenya Limited regarding the period of time Express had taken to clear Avery's goods. The argument as to who should pay for the storage charges went on for several months until it was decided to hold a meeting and analyse each case. In the course of our analysis with Avery's Chief Accountant/Company Secretary, we discovered that in two cases the clearing agent took four days to prepare forms C.57, C.16/17/ST6 and submit them to the customs officials for approval. These four days included Saturday and Sunday.

A further analysis revealed that KAHL as the ground handling agent took five days to tally, stack cargo and raise arrival advice and release orders to the agent. When the C.57, C.16/17/ST6 and invoices were submitted to the customs for approval, the documents took from three to six days before they were returned to the agent. Finally, when the approved documents were eventually handed over to Kenya Airways through KAHL, it took more than two days in some cases before the consignments were located and delivered to the consignee. The slow procedure for handling the documents led to over ten days' delay in a number of cases.

Obviously Avery Kenya Limited was very concerned about these delays but the analysis which was done made it possible for Avery and Express to come to a compromise
as it could be clearly seen by each party where the delay had taken place.

The point to make here is that the documentation procedures are a major source of bottlenecks at the Airport. For example a charter flight, like German Cargo or Tradewinds Airways, brings cargo on Saturday. There are occasions when the shift staff do not take action until the following Monday. The process of tallying and accounting for all pieces may not be completed until the following day if there were two charters on Saturday. For example according to KAFA "Documents for week-end flights were only available on Mondays and not on Sundays as heretofore. Mr. Maithya (of KAHL) undertook to make these available on Sundays - he also pointed out that the staff had been strengthened to provide a better service." The situation has improved since those meetings, but according to the recent KAFA meeting "It was reported that delays were still occurring in the rotation of cargo." Rotation in this sense means checking, tallying of pieces and stacking them in the cargo shed. From these two meetings it is evident that KAHL's documentation procedures are slow. The cargo has to be rotated before the release orders and arrival advice are sent to the clearing agents who cannot do anything before the foregoing documents are received.

Is KAHL the only culprit in this bottleneck of documentation procedures? What about the customs offices, other airlines and the clearing agents? Are they responsible for part of the delays or shall we blame KAHL wholly for the slow process in rotation of cargo followed by the issue of arrival advice and release orders? Before we answer these questions, let us see what actually happens in KAHL's arrival advice office,

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5. KAFA Meeting of 27/10/80 Minute No. 58.4
6. KAFA Meeting of 26/3/81 Minute No. 16.1
then we shall say a few words about customs documentation procedures and finally the procedures followed by airlines and agents.

When the consignments are offloaded from the aircraft the pieces of cargo are sent to KAHL's cargo shed where they are physically counted and checked against the cargo manifest. This means that the pieces received must be tallied with the pieces which were recorded in the cargo manifest at the departure airport before the cargo was despatched to Nairobi. In many cases the KAHL's airfreight clerks cannot do their tally work in good time because the airlines representatives have not forwarded copies of the cargo manifest in time. After the tally has been done and cargo stacked in the shed, the freight clerks write out arrival advice and release orders which are posted to the consignee. From the time these documents are posted, KAHL waits for three days and if the consignee has not yet cleared his goods during these three days, he pays demurrage charges at the rate of 55 cents per kilo per day.  

For consignments addressed to the consignee through his bankers, the arrival advice and the release order will be sent to the bank. The documentation procedure is too slow and it is not easy for a consignment to be cleared within three days to avoid the demurrage charges. If the goods are dutiable, the consignee prepares form C.16/17/ST6 and form C.57 after which the duty is paid and the customs permission is obtained to clear the goods. The above documents will be filled in all cases even if goods are not dutiable. The consignee will pay the handling and demurrage charges to KAHL then at this stage the KAHL's airfreight clerks will look for cargo and present the consignment to the consignee for collection.

7. KAHL's Various Letters addressed to the Agents.
What happens to the consignments which are cleared by the agents on behalf of their clients? The agents will receive the arrival advice and release order placed in their respective pigeon holes at the Airport. The documents addressed to the agents by KAHL are not posted because nearly all cargo agents have their offices at the Airport. On receipt of the arrival documents the agents prepare customs form C.16/17/ST6 and have form C.57 completed by their clients before the documents are presented to the customs officials for approval. Do the agents sometimes cause the delays in this documentation procedure? We cannot blame KAHL alone for all the delays that consignments suffer at the Airport before they are cleared. Some agents, for example Nakulines before it was liquidated, have too many clients whose cargo they handle. Notco (Nairobi) Ltd., handles sometimes sixty customs entries per day. Because of this volume of documents the forms C.57 and C.16/17/ST6 may not be presented to customs officials immediately when the arrival advice is received from the KAHL's airfreight clerks. The agents obviously are responsible for part of the delays in processing the clearing documents and KAHL cannot be blamed alone.

Do the airlines follow the correct documentation procedure? All consignments coming to Kenya must be accompanied with sufficient copies of air waybills, cargo manifest, invoices and other related import documents. Let us take for example charter airlines. According to KAFA "Members reported delays in the rotation of charter consignments of up to 2-3 days. Mr. Maithya (of KAHL) insisted that all shipments would be rotated within 24 hours and instances of failure should be brought to his attention." In the next meeting "It was reported that delays were still occurring in the rotation of cargo. Mr. Maithya stated

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8. KAFA Meeting Minute No.10.1 (c) of 26/2/81.
that agents should see a vast improvement commencing 27th March." In our oral interview with Mr. Paul Kamandu (KAHL's Import Cargo Superintendent) it was revealed that sometimes the charter operators fail to present copies of cargo manifest and air waybills in time. Hence KAHL's airfreight clerks cannot start the process of rotation without the documents from the charter operators. In some cases the documents are left at the departure airport and the cargo is received here without the required documents for rotation (rotation means counting the pieces received, tallying them with the number manifested and keeping them in the proper place in the cargo shed). Mr. Kamandu agreed that sometimes the delays in rotation occurs due to too many charter flights coming at the same time. The process of cargo documentation is, therefore, too slow and this is another source of the bottlenecks at the Airport.

In customs offices how long does it take to pass the documents for clearing cargo. The Collector of Customs, Mr. Mbuvi, assured the agents in the KAFA's meeting of 5th July, 1979 (Minute No.37.1) that the clearing documents would be passed within 48 hours. But a few documents (forms C.16/17/ST6 and C.57) we have examined in Express Kenya Limited's import office show that the documents usually take a longer period to be passed by the customs officials. The standard requirement that the clearing documents should be passed within 48 hours has not been achieved by the customs officials in many cases. For example Express Kenya Limited's C.16/17/ST6 No. 1418 and 1432 were submitted to customs on 15/4/81 but they were not passed by the customs officials until 21/4/81 after 6 days.

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9. KAFA Meeting Minute No. 16.1 of 26/3/81.
10. Oral Interview with Import Cargo Superintendent
11. Export & Import Register for Express Kenya Limited.
The documentation procedures, therefore, are too slow and many importers pay a great deal of demurrage charges for reasons outside their control. Out of ten consignments cleared by Express Kenya Limited on 15/5/81 and 16/5/81, nine consignments had demurrage charges paid to KAHL before the goods were collected. The question of slow process of handling documents is a major source of the bottlenecks at the Airport. It lowers the rate of airfreight development because if the delays are excessive, the importers may turn to transportation by sea instead of by air.

The main bottlenecks described above are regarding import documentation procedures. Before we end our discussion about the documentation, we should say something about export documentation. In sections (1) and (2) above we have already discussed fully the problems of complexity and also too many documents used for the same functions. Because of the above problems delays usually occur because of the cumbersome procedures. For example according to KAFA "A member reported that this (i.e. delays in passing export documents) had occurred on two occasions during the past week. Mr. Mbuvi (Collector of Customs) undertook to look into this." There are bottlenecks in both import and export documentation procedures. It should be noted that customs records are not up to date in both export and import documentation.

"There was a general outcry that customs raised the same queries at the end of each year in spite of the fact that such queries had been satisfactorily answered in the previous year. It was obvious that customs were failing to up-date their records." Regarding queries related to the security bonds, "One member wondered how long customs could raise queries on security bonds - he had received a query dating back to 1966 (15 years ago). Under accounting law

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12. For Express Kenya Limited
13. KAFA Meeting Minute No. 17.4 of 26/3/81.
14. KAFA Meeting Minute No. 11.3 of 26/3/81.
queries could no longer be raised on accounting after 7 years, therefore could not a similar rule be accepted by customs. This would allow the destruction of old records after 7 years."

The above quoted statements summarise the problems of documentation procedures in customs offices in Kenya.

4. **FAILURE IN PLANNING MECHANISM**

We have seen that the bottlenecks are caused by complexity of documents, too many documents used for one function and documentation procedures. In this section we would like to examine the planning mechanism in the whole cargo handling process. The big question to be answered here is who is responsible for the planning of various operations at Jomo Kenyatta Airport? Can any effective planning be done so that some of the bottlenecks may be eliminated? If so, who will be responsible for the implementation of such a plan?

In many cases people blame KAHL for delays and other problems already discussed in the previous sections. It is true that KAHL has failed to institute effective plans for efficient handling cargo at Jomo Kenyatta Airport. In order to answer the above questions satisfactorily, it is submitted that we cannot blame KAHL alone. In the cargo handling process at the Airport, too many authorities are involved and sometimes it is difficult to find out who should settle a problem. For example, take a case where a clearing agent submits the clearing documents in time to customs officials for approval. The customs have delayed the documents for more than 3 days (the 3 days from the date of arrival advice are free from demurrage charges). If the ultimate consignee refuses to pay demurrage charges, KAHL will argue that goods cannot be released before the demurrage charges are paid, the clearing agent will argue that the documents were delayed.

15. KAFA Meeting Minute No. 11.1 of 26/2/81.
by the customs and the latter will argue that they cannot do anything. Hence the clearing agent pays and passes the bill to the consignee who is the ultimate sufferer. The point being made here is that there are too many authorities involved in cargo matters. The customs, KAHL, Kenya Airport Authority, Ministry of Agriculture (through Horticultural Crop Development Authority), Department of Trade and Supplies, the airlines and the agents are some of the authorities concerned with airfreight handling at the Airport. They have no effective coordination plans.

How can effective plans be made for all these different authorities? KAHL and Kenya Airways in conjunction with other airlines have tried to plan the operations with a view to streamlining the work. For example we have already referred to the rotation of cargo which should be done within 24 hours. There are cases, however, when the plan is not followed. According to KAF A "There were considerable delays between date of actual arrival and the issuing of Arrival Advice by KAHL – in some cases up to 10 days interval!!" 16 Such cases were produced in the meeting and Mr. W. Olukune of KAHL promised to take action.

The matter becomes more complicated because plans made by KAHL or airlines may not be implemented by the customs because the latter is not responsible to the former. In this way planning mechanism does not work effectively. Take for example the three – day period of free storage which KAHL has allowed due to the hope that the clearing agents may clear the cargo within this period. While the agents will be penalised by charging them demurrage if they do not meet the three – day target, what action can KAHL take against the Customs Department for the delays caused in that office?

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16. KAF A Meeting Minute No. 10 (b) of 14/2/80.
Another serious drawback is that neither KAHL nor Kenya Airways has personnel capable of planning effectively and ensuring that the plan agreed upon is followed. In many cases we hear about the new plans or new procedures which appear very elaborate and efficient in paper, but when they are implemented, the results are far away from satisfactory. Let us take two examples to illustrate our point about the failure of planning mechanism. On May 22nd, 1980 it was reported by KAHL that "The new Short-Landed and Excess-Landed Certificates have been approved by the A.O.C. (Airlines Operators Committee) and would be introduced on 1st July, 1980." On 24th July, 1980 it was noted that the above documents had not yet been issued. In two other additional meetings it was noted that the certificates were still not being properly issued. The planning mechanism had failed. Another example is that on July 24th, 1980 KAHL promised to provide personnel to load and offload cargo handled by the agents as the latter paid handling charges to KAHL and it was fair that KAHL performed the work they were paid for. This was not immediately implemented. By 27th October, 1980 it was still noted that "On the subject of exports of fresh produce it was found that there was insufficient staff to cope, especially on Tuesdays and Saturdays." These two examples strengthen our point that the planning mechanism has failed in many cases at the Airport.

17. KAFA Meeting Minute 32.1 of 22/5/80.
18. KAFA Meeting Minute 45.1 of 24/7/80.
19. KAFA Meetings Minute 63.4 and 1.3 of 27/11/80 and 29/1/81.
20. KAFA Meeting Minute No. 45.2 of 24/7/80.
21. KAFA Meeting Minute No. 58.5 of 27/10/80.
It is not only KAHL alone that we can pin down for the failure of planning. The customs officials have made it a standard procedure that the clearing documents must be processed in their office within a matter of 48 hours. But according to Express Kenya Limited's import register the entries (i.e. C.16/17/ST6 forms) submitted to customs on 28/4/81 were not processed until 3/5/81 after 10 days. This is, again, another case where the planning mechanism has failed. Many consignments are subjected to the demurrage charges because of this failure. In fact the customs officials are lagging behind as far as work planning is concerned.  

What can we say about the agents and Kenya Airport Authority in connection with the failure in planning? In the recent KAFA's meeting "Both Mr. Mbuvi (of Customs) and Mr. Maithya (of KAHL) commented on Agents who have entries passed and then fail to clear the goods from the freight shed. They called for Association's assistance in this respect and wondered why the goods could not be cleared to Agents' own bonds."  The accepted plan is that the cargo must be removed from the freight shed as soon as the entries (clearing documents) have been passed. In this respect the agents have been responsible for the failure of planning mechanism. For the Kenya Airport Authority the main failure of planning is regarding the equipments and general cleanliness of the freight shed. For example according to the KAFA members on 27/11/80 "It was reported that the 'treads' were missing from most of the stairs rendering them very dangerous - the Secretary was asked to take this matter up."  By 26th February, 1981 "It was noted that no action had been taken to repair the 'treads' of the stairs within the freight shed."  

22. Express Kenya Limited's Register  
23. KAFA Meeting Minute No. 17.5 of 26/3/81  
24. KAFA Meeting Minute No. 66.1 of 27/11/80.  
25. KAFA Meeting Minute No. 12 of 26/2/81.
Like in many developing countries, the failure of planning in Kenya is a serious problem. Occasionally the authorities lay down some plans but they do not follow the up-dated scientific method by using implementation, control and the feedback method in order to evaluate the performance. I feel that it is not impolite if we say that some of the personnel involved do not understand PERT (Programme Evaluation and Report Techniques) principles. This is a problem which is common in most of the developing countries. Planning is usually not emphasised in formulation of policies. For example when the new Airport was built recently, somebody did not include the Animal Holding Compound in the scheme for building, yet dogs, cats, and other animals are commonly handled as airfreight at the Airport. Planning mechanism failed again in respect of the Animal Holding Compound.
CHAPTER SIX

PROBLEMS AND BOTTLENECKS IN HANDLING OF CARGO AT
JOMO KENYATTA INTERNATIONAL AIRPORT

Reference has already been made to the problems of documentation in Chapter Five of this thesis. In Chapter Six we are going to discuss the handling problems in sections (1) - (7), then proceed to Part Three where we shall offer our solutions to the existing problems and bottlenecks.

1. INEFFICIENCY CAUSED BY DELAYS

In Chapter Five of this thesis we discussed the problem of the failure of planning mechanism and gave some specific cases. In this section we want to talk about inefficiency arising from delays caused by the customs procedures and KAHIL's inability to process air cargo within the expected standards.

Let us start with the Customs office. Goods take only eight hours to move from Western Europe (say London) to Kenya. The delivering carrier passes the arrival advice and other documents to the clearing agents which prepare the customs entries as quickly as possible. In Express Kenya Limited the entries are prepared within one or two days from the date of receipt of all clearing documents such as arrival advice, release order, copies of air waybills, invoices and form C.57. But what happened when the documents go to the Customs Office for approval? The rule is, as we have seen previously, that the documents should be processed within 48 hours. This rule is not adhered to all the time and this leads to a slow rate of clearing cargo from the right shed. This slow movement causes congestion in the cargo shed and the function of handling becomes difficult. Express Kenya Limited entries Nos. 247 and 260 took the customs officials 9 days and 16 days respectively to pass. The days were far in excess of 48 hours (2 days). The principles of strategy and organisational development are lacking in the customs office. If the strategy for the quick method of processing the documents is not working,
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the officials need to revise it. Another area of delays on the side of customs officials, which again makes handling inefficient, is the time taken to transfer goods which have not been claimed to the customs warehouse for auction. According to the rules (The Customs and Excise Bill, 1978) the unclaimed goods should remain in the freight shed for 21 days only, after which they should be transferred to the customs warehouse for auction. The delay in transferring the unclaimed goods to the customs warehouse causes congestion in the warehouse and difficulties in locating cargo ready for delivery.

KAHL also contributes to the congestion in the freight shed because there are delays in locating cargo required for delivery. If the customs officials have passed the clearing documents, the duty and KAHL's handling charges have been paid, the release orders are handed over to the KAHL's airfreight clerks to locate the cargo and take it out for delivery. In some cases this takes 2 - 7 days. Consignments Nos. 1531 and 1850 are given as examples of delays in locating the cargo by KAHL (they were located after 7 days).

2. HCDA INSPECTORS AT THE AIRPORT

In Chapter One section (2) reference has already been made to fruits and vegetables as part of Kenyan major exports. These goods require inspection and issuing of a certificate showing that they are fit for exportation.

All consignments of horticultural produce are handled in the evening or at night and they are loaded on pallets, containers or igloos carried by various flights departing from 9.00 p.m. to about midnight. The leading carriers in

1. Express Kenya Limited's Register
2. Oral Interview with KAHL's Representatives
this respect are all charter operators, Lufthansa, Air France, Kenya Airways, Alitalia, KLM Royal Dutch Airlines, Swissair and others.

There have been cases when the exporters are ready with their goods, but they cannot present the documents to the customs officials for approval because the plant inspectors from Horticultural Crop Development Authority (HCDA) are not available to issue the required certificates. There have been instances in which shipments were badly delayed due to this factor. Any delay in processing consignments hinders the rate of growth in airfreight development.

On the side of other cargoes which require officials' inspection it could be very difficult sometimes during the weekend to trace these officers unless an advance arrangement is made with them to be at the Airport at the required time. In one incidence in 1978 we had to go to call one of these officials from his house before a consignment of this category was cleared on one Sunday morning.

However, some of these problems have been largely solved by weekly meetings held by agents and HCDA plus airlines participating in carrying fruits and vegetables.

3. **AIRCRAFT DELAYS IN HANDING OVER TO KAHL**

In Chapter Two sections (1) and (2) we outlined briefly the monopolistic roles played by both KAHL and Kenya Airways in ground handling of cargo at the Airport. In fairness to KAHL some airlines do not ensure that their consignments are accompanied by the air waybills and cargo manifests to make it possible for KAHL airfreight clerks to rotate the consignments on arrival. For example, Delta Limited, one

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4. Oral Interviews with Agents Representatives.
of the prominent importers in Kenya, has a list of well over ten consignments which arrived in 1980 without copies of air waybills and cargo manifests. These goods cannot be cleared because they have not been rotated by KAHL and there are no documents to be used for clearing them.

In the above case Delta suffers for mistakes made by the airlines which had carried such consignments without the proper documents from the departure airports to Kenya. Mr. Anjawala of Delta Limited is busy writing letters to trace the air waybills so that the delayed consignments can finally be cleared and a copy of one of his letters has been received by Express Kenya Limited.

In airfreight industry, any cargo received without being manifested is referred to as excess cargo. Mr. Kamandu of KAHL has told me in our oral interview that KAHL will do nothing about excess cargo until the relevant documents are received. In this respect the inordinate delays are caused by the airlines and not KAHL. Consequently the excess cargo causes congestion in the freight shed and the process of locating the cargo required for delivery becomes very difficult due to the congested state of the freight shed.

Mr. Kamandu assured me that the charter operators are the main culprits in this respect. These airlines have not fully implemented the principles of management by objectives as any cargo received unmanifested and without copies of the relevant air waybill will just lie unattended at the Airport. Delta’s case is a recent one. Farm & Industrial Machinery Distributors Limited also had a similar case in 1978 and a great deal of correspondence went on between Nairobi and departure airports before the matter was resolved. What should be done to solve this handling bottleneck? The question will be answered in Part Three of this thesis.
Another source of delays by airlines is in the case of shortlanded cargo. This is a situation where cargo has been properly manifested by the departure airport and all records show that the goods have been loaded on the aircraft. On arrival of the flight, only documents are found but the actual goods are left behind at the departure airport. Telex messages and letters are usually exchanged between Nairobi and the departure airport and such goods come on the subsequent flights, but the delays occur by the time the goods are cleared.5

4. ETHIC OF BUSINESS PRACTICE

The question of IATA and non-IATA cargo agents was discussed fully in Chapter Two Section (3). These cargo agents play a major role in air cargo development as shown in Chapter Three Section (4). The bulk of air consignments is handled by these agents. They handle 80% of the export and import consignments according to Kenya Airways statistics.

The competition is very keen among the agents. Efficient handling of import and export consignments is required in order to win more clients. The clients (importers and exporters) are aware that charges differ only slightly from one agent to another. The only important thing is the speed with which the clearing agent can handle cargo. In export consignments, the agent must be friendly to the airline representatives to ensure that space is secured in the aircraft for the client’s goods. If goods have to be offloaded (i.e. left behind after booking has been accepted), the agent tries to persuade the airline representatives not to offload the goods for the agent’s clients. Friendship and

5. Oral Interview with K AHL’s Representatives; Letter from Delta; Cargo Irregularity Reports prepared by K AHL.
cooperation between the airlines and the agents pay dividend.

On the import side the customs have to approve or pass the clearing documents before cargo can be collected, and KAH\L airfreight clerks must locate and present the cargo for collection. Again the cargo agent must be friendly with the customs officials and airfreight clerks so that his (agent's) cargo can be cleared and delivered as quickly as possible. The agent will retain his present clients if he delivers cargo quickly. In order to achieve the objective of quick speed in clearing and delivery, there have been allegations that some agents pay "expedition fee" to the customs officials so that their documents can be passed without a delay.

These allegations have been raised by the members of KAFA, but they are difficult to prove as the "expedition fee" cannot be paid openly. However, we can just compare how long the documents for a few agents take to be processed by the customs. The agents who do not pay the unethical "fee" will have their documents delayed whereas those who pay the "fee" will not suffer any delay. In the KAFA's meeting of 26th April, 1979 the following delay reports were received by the members:

- Express Kenya Limited 8 days delay by Customs
- Benham Holdings 6 days delay by Customs
- K.A.T.E. 5 days delay by Customs
- Globalfreight Limited 3 days delay by Customs
- Schenker (E.A.) Limited 2/3 days delay by Customs.

We have further examined 5 entries lodged by Express to Customs on the same day Schenker lodged 5 entries. It

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took 7 days to process Express documents and 2 days to process Schenker's. The difference between the time taken by the customs officials to pass the documents for agents A and B has been the main point of argument among the agents, especially if the documents for A are processed within one day and those of B take 4 or 5 days despite the fact that the two sets of documents had been submitted on the same day. In the meeting of 26th April, 1979 some agents reported no delays, yet from 5 to 8 days delays were reported by others.

This problem is not easy to tackle, for the payment of "expedition fee" cannot be proved due to the nature of the transaction involved. However, those agents which have passed rules against it are more concerned about the practice and on 29th March, 1979 it was noted that "According to certain Agents the matter of bribery was again rearing its ugly head in the processing of documentation. Apparently a system has been evolved within Customs where certain Agents' documents are dealt with by their 'own' Customs Officer who has been suitably 'paid'; as a result other more honest Agents' documentation is delayed." 7 Two KAFAs, the Secretary and Mr. B. Tomlinson, were accordingly asked to see the Collector of Customs about this unfair and unethical practice. On 5th July, 1979 the matter was once again raised and the Collector of Customs promised to take action if evidence was found. 8

As has been mentioned it is not easy to find evidence because of the nature of the deal itself. If there is no evidence, then why do the more honest agents complain about it and how do they know that it has happened? No satisfactory

7. KAFAs Meeting Minute No. 17.1 of 29/3/1979
8. KAFAs Meeting Minute No. 37.1 of 5/7/1979.
answer can be found to this question. However, if the entries are treated in the same way irrespective of which agent has submitted them, then it is logical that those which came first should be passed first. If A and B submit their entries together on the same day and A's entries take one day to be passed while those of B take 3 to 5 days, then there is something wrong in the system. Even if we discard the theory of "expedition fee" irregularities regarding the time taken by customs officials to pass documents for A and B are still a source of bottleneck which we must include among the problems of handling at the Airport. The principles of staff motivation leading to efficient performance is lacking among the customs officials.

In fairness to customs some agents always claim that whatever consignments they want to clear are either urgent or perishable. These interfere with customs planned work as the principle of first come first served cannot be followed. On the question of "expedition fee" the agents who might be paying are more serious culprits than the customs officials because they retard the flow of the work as planned by the officials passing the documents.

The same allegations have been made against KAHL's airfreight clerks in connection with the processes of locating consignments in the warehouse and presenting the goods for collection, or the use of KAHL forklift for heavy pieces of cargo. In this respect it it difficult to justify the allegations because there is no empirical study done here compared to the study which KAFA members have done with regard to the first case for passing documents.9

5. **RATE OF CHARGES**

With the above bottlenecks, one would expect the rate of

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charges to be low. This is not the case. On both import and export sections of KAHL's airfreight there are charges which have caused a great amount of complaints. Let us take for example export handling charges. In the meeting of 20th July, 1978 KAFA members were disgusted when they discovered that the handling rate of 15 cents per kilo had been raised to 55 cents per kilo and "they were all extremely angry at the method adopted in introducing the new rates without reference to other parties involved, and also to the amount of increase (in most cases 266%)." Since then the rate has been reduced to 40 cents per kilo for the general cargo and 35 cents per kilo for horticultural produce. Why do we consider this as a problem? First, the agents were made to pay higher handling charges to KAHL. Secondly, the payment included certain aspects of handling which KAHL did not fulfil, such as loading or offloading of horticultural produce in the evening. For many months the agents used to do the work by themselves, KAHL did not provide the personnel to do the work, yet the handling fee was still to be paid to KAHL. Several meetings were held to discuss this point together with others. By 10th January, 1980 the personnel had not been provided adequately by KAHL. Further meetings followed again and by 27th November, 1980 it was noted that the "staff are now being provided by KAHL to load/offload goods." At one time the handling charge applied even if the goods were offloaded. Later it was agreed that a 50% refund would be made in the case of offloaded goods. The handling charges, it is felt, are very high. From 15 cents per kilo, they should have been raised to 20 cents or 25 cents per kilo. High charges do not encourage air transportation, hence they interfere with the development of the airfreight industry.

10. KAFA Meeting Minute No. 34.1 of 20/7/1978
11. KAFA Meeting Minute No. 64.3 of 27/1/1980
The import side is even more discouraging. The bottlenecks regarding delays have been briefly discussed in section (1) above. If the delays are caused by the customs officials, you still have to pay the demurrage charges of 55 cents per kilo per day. If you import a consignment weighing 1,000 kilos and your documents are delayed by the customs officers for 4 days, you will pay demurrage charge of 55 cents \times 4 \times 1,000 = 2,200 shillings. If you import three or such consignments within a month and your documents are delayed each time, you would spend 6,600 shillings in paying storage alone in spite of the fact that the fault is not yours. Apart from duty paid to customs, you have to pay this storage charge. According to my experience and the empirical study we have done at the Airport, about 90% of the consignments have storage charges paid on them because they cannot be cleared within 5 days during which the storage charge is not applicable. The delays occur due to various reasons already discussed in the previous sections of Chapter Five and this Chapter. Then you have to pay also import handling charges at the rate of 40 cents per kilo. These charges are among the highest compared to the charges in other international airports such as London, New York, Paris, and others.\textsuperscript{13}

The high charges, the foregoing problems and the bottlenecks do not promote the development of airfreight industry in this country. It is understood that some of these high rates have to be paid to the authorities concerned to cover their operating expenses. If the principles of manpower training and effective utilization of human resources were adopted, the operating costs would be much lower and there would be no need to charge highly. More will be said about this disincentive function in Part Three.

\textsuperscript{13} Charges on Release Orders of Express Kenya Limited.
Copies of release orders which we have examined show that in some cases the handling charges are as much as the total airfreight for smaller consignments.

6. **THE ROLE OF TOP MANAGEMENT**

Igor Ansoff has suggested that the top management is an effective agent of change in any organization. With the changing environments in an organization and in the industry within which the organization operates, the question of top management and change is a vital point which we need to examine briefly before we can talk about technology.

In modern industries top management must be fully involved with policy formulation and direction through the control systems set up by the management. The question which we need to ask and answer here is about involvement. To what extent is the top management involved in the organization of the airfreight industry in Kenya? What exactly do we mean by the top management? Is it the top management for KAFA, KAHL, Kenya Airways or airlines?

The main institutions which handle airfreight in Kenya were described in Chapter Two of Part One. These institutions have their top executives, some of whom are fully involved in the airfreight industry while others are not. Take, for example, the case of the IATA and non-IATA cargo agents. How far are their top executives involved in air cargo matters? If you check the attendance for KAFA meetings, you will see that in the majority of the meetings the member companies are represented by their managing directors, general managers or senior people who participate in the top management decisions in their respective companies. For example the present Chairman of KAFA is a Director, the previous Chairman was a Group Managing Director for four Companies, the Treasurer is a Managing Director for his
company and the Secretary is an Assistant General Manager for his organization. This shows that the agents take airfreight industry very seriously and some of them such as Schenker (E.A.) Limited have over 70% of their activities restricted to freight handling.¹⁴

What happens in other institutions such as KAHL and airlines? We shall discuss about KAHL and Kenya Airways before we refer to other airlines. This approach is essential because some of the problems discussed in this thesis are caused by lack of top management involvement in the freight industry. Here we are concerned with the development aspect of air cargo. In view of this we contend that where top management is not involved fully, the rate of development will be slow. Let us examine KAHL and Kenya Airways to see how lack of involvement can retard the freight development. KAHL is a subsidiary of Kenya Airways. The KAHL's top man is the General Manager who reports to the Company Secretary and finally to the Managing Director of Kenya Airways. He is the chief executive of KAHL in cargo matters but in Kenya Airways we have other senior people who are responsible for other aspects of airfreight functions in Kenya Airways. These are the Cargo Manager in charge of cargo development in Kenya Airways head office, the General Manager of Kenya Flamingo Airways (a subsidiary of Kenya Airways) and the Marketing Manager in charge of other aspects of cargo sales in his department. The point which is confusing is that these four senior officers (KAHL's General Manager, Flamingo's General Manager, Cargo Manager and Marketing Manager) have cargo staff under them but there is no top management involvement in coordination of cargo activities in Kenya Airways. Other airlines top management such as Lufthansa pay more attention to cargo development than Kenya Airways.

¹⁴. Monthly KAPA Meetings
Lack of top management coordination in various cargo activities in Kenya Airways is a serious drawback to the development of cargo industry in Kenya. In talking to four different senior staff in KAHL and Kenya Airways, I was surprised to learn that all of them unanimously agreed that there is no system of coordination. Like in all other organizations conflicts arise among senior officers because of the desire in protecting sectional or divisional interests. For example should KAHL's General Manager follow instructions from the Cargo Manager? What is the relationship between the two and how do they interact with each other? What control does the Marketing Manager have on the functional areas controlled by the two and the General Manager for Flamingo Charter, which is basically a cargo venture? Does the control come from the office of the Managing Director? According to one senior officer I had interviewed, the previous Managing Director resigned without knowing some of his cargo line managers because he never visited their departments. In view of this it is highly doubtful if the office of the Managing Director can effectively coordinate the cargo development in Kenya Airways. The office of the Commercial Executive would have been the right place for the required coordination.

What is the significance of the coordination function in the airfreight industry? Kenya Airways is the national carrier in Kenya. KAHL is a subsidiary of Kenya Airways and it has been allowed to operate monopolistically in cargo handling at the Airport. In view of this it would not be appropriate for us to analyse the top management involvement without referring to Kenya Airways and KAHL. Our main topic is the development of airfreight industry in Kenya, hence we must say something about Kenya Airways and KAHL's internal cargo organization. Lack of serious involvement by top management of Kenya Airways makes it easier for other airlines to handle better paying cargo than the national carrier. For example, Pyrethrum consignments
are handled by Schenker (E.A.) Limited and carried by Lufthansa or KLM Royal Dutch Airlines while aircraft engines from Kenya Air Force have been several times carried by Lufthansa. Pyrethrum Board is a parastatal body set up by the Ministry of Agriculture and the aircraft engines belong to the Defence Ministry. Ideally these consignments should have been carried by Kenya Airways alone if there was proper top management involvement. In the cargo agents companies the Managing Directors or senior officers below them usually participate directly in the case of big deals. Recently Mr. Dave Macdonald, the Managing Director of KATE, negotiated a successful deal with one of the biggest importers, ILRAD. In Express Kenya Limited, Mr. James Mageria, Group Managing Director, is ususally at the head of delegation in respect of big deals. Mr. Peter Kanyago, the General Manager, is very active in marketing matters and negotiating direct deals. Finally, it should be noted that the rate of cargo growth would be higher in Kenya if Kenya Airways was more involved at the top level than it is now. Is it commercially wise for the Managing Director to take 3 years without visiting a very profitable department such as KAHL? More will be said about this problem again in Part Three of this thesis.  

7. PROBLEMS OF TECHNOLOGY AND MANAGING A CHANGE IN AN ORGANIZATION

Again for problems of technology and managing a change in an organization we shall address our analysis partly to the line managers and partly to the top management in the institutions handling air cargo in Kenya. Some cargo agents such as Notco and Express Kenya Limited have their own facilities for handling cargo within their premises. They have forklifts and other facilities. In the case of Express Kenya Limited, there is a mobile crane for lifting of containers or heavier pieces of cargo.  

The level of technology for handling cargo at the Airport is still lower than the levels in advanced countries. For example in some international airports such as London, Frankfurt, New York or Copenhagen much of the cargo handling work is done by the computer. The decision to introduce such an advanced system at the Airport lies with the top management supported by the Ministry of Transport and Communications. Most of the airports of the world are becoming computerised in the sense that plenty of work is done electronically through the computer. This is a challenge to the top management of Kenya Airways and the Kenya Government.

Although Kenya is a developing country, the planners of our transport and communications must start now to think about installation of a computer in future. Although this is a problem for long term planning, I think that it is proper for the authorities to start thinking about it now if Jomo Kenyatta Airport has to remain a modern airport throughout 1980's and 1990's.

What about our level of technology regarding handling freight between aircraft side and the freight shed? Do we experience any problem? It should be noted that at one time the packages were handled manually and this was a slow process. Then came the forklifts for heavy packages and trolleys for easy handling of freight. On 20th May, 1981 while checking on how serviceable some of the equipments were, I discovered that many truck-mac and trolley units were unserviceable due to lack of spares. The truck-mac units were bought in Japan while trolleys were bought from the U.K. through Greenham (E.A.) Limited. The question of spares is a major problem because there is no sufficient money for buying them and in the case of truck-mac from Japan, the spares are not available. This means that the unserviceable equipments cannot be used during the period they are required and obviously this lowers technological advancement in cargo handling. The top management will have in future to consider
the question of spares at the time of negotiating a deal for purchase of the equipments. Otherwise it is a bad management decision to buy the equipments without spares even if there is money for buying such spares.

If three agents want to collect heavy pieces from the freight shed at the same time, for example, there will be a problem about the forklift for loading those heavy pieces into the agents' trucks. Hence it is absolutely necessary for the forklifts and other equipments to be serviceable all the time. In the case of trolleys, they are very essential not only for use while offloading mail bags and freight from the aircraft, but also for fruits and vegetables in the evening prior to loading on the aircraft. Hence to enhance airfreight development in Kenya all the trolleys available in the freight shed must be serviceable. The question of lack of funds is a general problem not only in Kenya but also in the world as a whole. In economic terminology there is a state of recession throughout the world. Other airlines are also feeling the pinch, and Kenya Airways or KAHL cannot be blamed alone for lack of enough money for buying the equipment. However, we feel that the marketing and sales functions are not being properly done as the main functions are left to the junior staff while the senior staff tend to be too busy to do their work properly. Take for example a case in which the Representative of Kenya Airways in West Kenya came to see the Marketing Manager in Nairobi. The latter Officer was too busy to be seen and after two days, the Representative went back to Kisumu without having his problem solved. This is not a good example of management by objectives, it is obviously lack of team work in the senior management of Kenya Airways, especially in Marketing Department.

Finally, the Engineering Department of Kenya Airways is responsible for purchase of the equipments, Tarmac Services
Department controls the equipments and K AHL uses them in handling of air cargo. Because of the bureaucratic nature of Kenya Airways, a replacement or repair of, say, a trolley cannot be done quickly since there are too many people involved in the various stages of making decisions. These are some of the problems which affect all big organizations and the best thing we can suggest to Kenya Airways is to practise the system of cooperation among the departments involved, and coordination by the top management.\textsuperscript{16}

Enough has been said about the problems affecting the airfreight industry in Kenya. Let us now turn to Part Three of this thesis and analyse some of the suggested solutions in order to convince the authorities to remove the bottlenecks.

For the Department of Customs & Excise the leading source of problems affecting the development of airfreight industry in Kenya is official bureaucracy. If you write a letter requesting for a change in some procedures already established by the department, there will be a long delay, even if your request is accepted. Quick action on issues is not a common phenomenon in the Customs & Excise Department.

\textsuperscript{16} Oral Interviews with K AHL and Kenya Airways Representatives.
PART THREE

CHAPTER SEVEN
Solutions or Prescriptions to the Problems and Bottlenecks in Part Two

CHAPTER EIGHT
The future of Airfreight and Current Insurance Policies in Kenya
1. PLANNING REQUIREMENTS

Although Kenya Airways has a department responsible for planning, the amount of planning done in the organization is inadequate and this is the main factor affecting airfreight handling in Kenya. It has been explained that Kenya Airways and its Subsidiary K.A.H.L. enjoy certain monopolistic rights bestowed upon them by the Kenya Government. Hence it is vital to refer to them whenever we talk about the planning requirements for cargo handling. If Kenya Airways and K.A.H.L., plus Customs and Excise Department, introduce effective plans, 80% of the problems discussed in the previous chapters will be solved. Planning mechanism, therefore, should be improved by these organizations.

What management hypotheses are applicable to these organizations? In Customs and Excise Department, for example, there is a problem of bureaucracy which we think that should be reduced because it interferes with planning by the supervisors on the spot. These have to refer to their superiors before they can make minor decisions. The proponents of bureaucracy have argued that the bureaucratic arrangements lead to competence in operations, precision of operations, reduction of friction between people, steadiness in decision making, reliability because business is conducted according to known calculable rules with juniors subordinated to their seniors and nepotism is guarded against. They go on to state that the conditions of work lead to economic morality against corruption and the bureaucratic hierarchy leads to better trained personnel. In short, they argue that bureaucracy has specific characteristics of specialization of labour, reliability, impersonality of authority, rationality and stability of the organization. It is management by the regulations, well defined authority, personal obedience owed to the established rules and regulations and decisions descend from the higher authorities. In view of this, the Customs & Excise Department should do a fine job at the Airport.
It is regretted that the ideas expressed by the proponents of bureaucracy can be challenged in practical management. I would like to suggest that the Ministries of Finance and Transport & Communications should liaise to cut down the bureaucratic arrangement in the Customs & Excise Department and in Kenya Airways as well. The Managers on the spot should be given full authorities to execute their duties and initiate plans leading to improvements without waiting for approval from higher authorities. In spite of the well argued points of Max Weber in his widely read book¹, we advise the Customs and Kenya Airways to reduce the bureaucratic hierarchy so that more planning work can be done and the plans made effective by management control system through feed-back method. In our view, if this is done, the bottlenecks in Part Two of this thesis will be greatly reduced. For example, a problem which requires a managerial decision will be referred by K.A.H.L.'s General Manager to Kenya Airways head office which will cause a delay in solving the problem. The Customs may refer cases to the Ministry of Finance and the solution may take over three months for a small problem which the Principal Collector of Customs could deal with immediately. Why do we argue against bureaucracy? What points do we put forward against the ideas propounded by the proponents of bureaucracy?

Bureaucracy leads to a rigid system which resists changes. Any organization which resists changes cannot be efficient because the environments of all organizations keep on changing. The bureaucrats fear public criticism and constantly rehearse before giving public statements, they are very conservative and tend to stick to uniformity and conformity of rules and regulations, they are afraid of taking risks which bring about changes (they are very risk averse), and they adopt arrogant and defensive mechanisms to protect

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fellow colleagues even if the colleagues are wrong, thus causing the "bureapathology disease". It leads to a stereotyped behaviour not suitable for circumstances facing the bureaucrats, it leads to self-perpetuation building of the bureaucrats within the system and there is usually a danger of development of sub-unit objectives which may displace the organization's objectives. Finally, the cost of bureaucracy may be prohibitive. For example, in Kenya Airways, there are many sinecure posts where people earn high salaries, yet they have very low productivity. This is being done simply because the airline wants to maintain a bureaucratic structure. There are "expatriate advisers" who are actually learning their jobs from the local people they have come to "advise".

How far do the cargo agents and other airlines plan their operations in cargo handling? Do they also share with the Customs & Excise Department, or Kenya Airways, the unwieldy bureaucratic system? To a large extent the agents have no "expatriate advisers" and their employees who are non-Kenyans are there mainly because of their productivity. These are profit making organisations with no other sources of subsidy in case they perform poorly. Hence they tend to plan their operations in such a way that they make profits. If they fail to make profits, like the defunct Nakulines, recently, they go out of business. Their Chief Executives, therefore, are appointed on the basis of performance. Most of the Cargo Agents plan their work and they are more efficient than K.A.H.L., Kenya Airways or Customs & Excise Department. For example, in Express Kenya Ltd., every Monday at 8.30 a.m. there is a meeting attended by the General Manager, Assistant General Manager, Financial Controller and Marketing Manager. This is a planning and decision making body for the whole Company. All departmental business performance must be reviewed together with other matters in the weekly meetings. On monthly basis, the four officers call the Line Managers (heads of trading departments) to joing in the decision making process. This is a kind of general meeting. Then each individual department is summoned by the four officers to discuss problems relating to his department once a month.
Sales, operations and accounting matters are always discussed in such meetings.

We advise the Customs & Excise Department and Kenya Airways to plan ahead and use such meetings for control through feedback method. The main functions of a Manager are planning, decision making, organising, staffing, directing and controlling. He has to be innovative and representative of his organization. These functions are based on division of work, delegation of authorities and responsibilities, discipline and order, unity of command, unity of direction, equity or fairness in treatment of employees, stability of employment, and team work. Without effective planning, no Manager can perform the above functions, hence we emphasise the fact that Kenya Airways, K.A.H.L., Customs & Excise Department, other airlines and agents must use the up-dated scientific method in management. This is the only way in which the problems we had analysed in Part Two of this thesis can be solved. My investigations through interviews with Kenya Airways and K.A.H.L. representatives reveal that K.A.H.L. has reasonably regular meetings but they are not effective because of sectional conflicts within the organization. These conflicts arise from the fact that the Line Managers (the superintendents in the case of K A.H.L.) would like to protect their own sectional interests but there is no effectively planned motivational mechanism to neutralise sectional interests. In view of this, there is no concerted effort by the Line Managers to eliminate the bottlenecks which were examined in the previous chapters. The only weapon we recommend to the authorities is that Kenya Airways, K.A.H.L. and Customs & Excise Department must be planning-oriented and most of the problems regarding documentation and handling of air cargo will be solved.

2. Oral Interviews with K.A.H.L. Representatives
Our contention is that the effective planning mechanism must include (a) identification of the problems (b) developing alternative courses of action in the action plan (c) selecting the optimal course of action (d) implementing by experiment based on operations research techniques and (e) control through feedback method.

2. MANPOWER UTILIZATION (HUMAN RESOURCES)

On the question of manpower utilization or human resources management, Kenya Airways and K.A.H.L. have excellent opportunities which are not being exploited sufficiently. In the defunct East African Airways (E.A.A.) Commercial Training School, there were sufficient training facilities of the staff employed in different functional areas. When E.A.A. collapsed in February, 1977 and Kenya Airways was formed, the latter inherited the aforementioned facilities but because of lack of management foresight, the training facilities are not being utilised as before. We advise K.A.H.L. and Kenya Airways to start using those facilities again as much as they were used before. From February, 1977 up to now export staff (mainly junior clerks) have gone to the new Training School only once. Yet there are many problems which interfere with cargo handling and some of them are caused by lack of training.

Take for example, a perishable consignment of vaccine which was recently imported by ILRAD. It arrived safely and was accepted in the freight shed by K.A.H.L.'s airfreight clerks. The instructions on the airwaybill were: "keep in cold storage, perishable cargo". The freight clerks did not read the instructions and the consignment was tallied and stacked in the freight shed outside. This was not an isolated case because the Purchasing Officer of ILRAD has confirmed that he had lost several other consignments due to this failure. The point we are making here is that Kenya Airways and K.A.H.L. must make use of the training facilities available in their


4. Oral Interview with Purchasing Officer, ILRAD
Training School instead of using untrained people to handle cargo at the Airport. If the staff who handled the lost ILRAD consignments had been sent to the Training School, the perishable consignments would have been kept in the cold storage which is available at the Airport.

When East African Airways collapsed in 1977, Kenya Airways employed some people who had been working as casual labourers and new other people from outside. These new employees, with those who had already taken elementary courses, must be properly trained if the problems and bottlenecks have to be eliminated from the Airport.

In fact one may wonder whether the authorities at the Airport have ever applied the principles of strategy and organization in order to solve their problems. Before we discuss the salient points of strategy and organization, let us comment briefly on scientific management and suggest to the authorities at the Airport that they should follow some of Frederick W. Taylor's objectives in scientific management. In order to solve the problems of complex documents, delays, congestion at the Airport and other handling problems, the authorities should select each worker for training and develop the employee's ability to perform his duties. The management must try to identify each element of a man's work and improve the method of performance instead of using the old rule of thumb method. The most hard-working and intelligent people should be trained in accordance with the scientific method, and each job should be properly analysed. Taylor advocated many other aspects of work improvement such as division of labour, specialisation, and cooperation between the management and the employees. Other aspects of his analysis were suitable for advanced economies of North America and Europe (i.e. in the manufacturing industries) but not appropriate in our case. In view of this, we shall not concern ourselves with all ideas he expressed about scientific management. What we are recommending here to K.A.H.L. and Kenya Airways are those aspects of scientific management principles which are applicable or suitable for the situation at the Airport.

In brief, Taylor stressed the following characteristics of scientific management:

Science, not rule of thumb.
Harmony, not discord.
Cooperation, not individualism.
Maximum output, in place of restricted output.
The development of each man to his greatest efficiency and prosperity. 6

Other contributors to scientific management theory included Henry L. Gantt, Frank and Lillian Gilbreth, Harrington Emerson, Morris L. Cook and Fayol in France. There is no need for us to discuss the ideas of these scientific management experts in details. What we need to do is to select those ideas which are applicable to the airfreight industry in Kenya.

K.A.H.L. and Kenya Airways top management and middle management will gain if the above summarised principles are adopted. They require harmony instead of discord, maximum output instead of restricted output and development of each man to his greatest efficiency and prosperity, hence science but not rule of thumb. I feel that these ideas are perfectly relevant to the Kenyan situation as far as airfreight industry is concerned. The Line Managers and Supervisors were basically trained before 1977 and they have the basic cargo handling knowledge which is supplemented by some practical experience on the job. But what is the fate of the junior clerks who joined after 1977 or who had not taken cargo courses by 1977? Can they be efficient if they work without being trained? There used to be four stages of cargo training programme: introductory stage, basic stage, intermediate and advanced stages. These gave the freight clerks the necessary basic requirements for cargo handling and certain promotions of staff were subject to passing specific courses. This must be re-introduced and modified by K.A.H.L. and Kenya Airways if they want to

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eliminate some of the problems like the ILRAD perishable goods which were damaged due to lack of training on the part of K.A.H.L.'s staff. Training enhances efficiency and the authorities at the Airport must take the opportunities of using their Training School. One of the most serious problems in cargo handling at the Airport is the calibre of the people who have been given jobs; they are not qualified to perform. Nearly all cargo documents used at the Airport are written in English, yet it is not uncommon to find someone who cannot read English to obtain the information from the documents still given a clerical job in the freight shed.

There have been allegations about nepotism and tribalism in K.A.H.L. and Kenya Airways as in many other organizations in Kenya. Our concern here, however, is what can be done to improve these people so that they can be efficient. Without efficiency on the part of K.A.H.L. staff, the bottlenecks we had discussed in Part Two of this thesis will not be eliminated. We see the solution in training of all cargo handling staff. If the staff go for training and they do well, then what will be the motivating factors to make them work harder?

Kenya Airways and K.A.H.L. are not sufficiently concerned about staff motivation. This is another area which should be considered by the authorities. Occasionally, the hard-working and intelligent people are not assessed objectively by the management and they move away from K.A.H.L. and Kenya Airways to the cargo agencies or other airlines. If you go to other airlines or cargo agencies, you will find that most of the senior people were once employees of the national carrier. They moved away because they were not given a fair treatment. To solve some of these problems we have referred to in the previous chapters, Kenya Airways must train their personnel and motivate them to do their work efficiently. How can this be done? Is there any one accepted formula for motivation? H. G. Hicks and C.R. Gullett ask the following questions: "Who is responsible for motivation? Is the individual worker expected to provide his own motivation
or is motivation a function of management? Motivation in any organization depends on forces which are both within and external to the individual member. Bernard Berelson and Gary Steiner have defined motivation "as an inner state that energizes, activates or moves and that directs or channels behaviour toward goals." William G. Scott and Terence R. Mitchell say that motivation is "a function which a Manager performs in order to get his subordinates to achieve job objectives."

There are different ways in which an employee can be motivated to achieve job objectives. As stated by Lyman W. Porter and Raymond E. Miles, "there is no single theory relating to motivation that can be completely and unqualifiedly accepted as accounting for all the known facts and there is no definite set of prescriptions that are unequivocally supported by research." We do not want to spend too much time on definitions. It suffices to say that factors motivating a person can be either internal or external. In Kenya Airways and K.A.H.L. staff morale is very low. I have interviewed manual workers, clerical employees, supervisors and line managers and found that each group has something always to say against the management. The authorities must find out why their employees are always complaining. In my opinion based on observations the middle and top management have created a situation of impersonal contact between management and the employees. For example, recently a line manager complained that the Managing Director who resigned a few months ago never went to his department except twice in three years. In the two occasions he never saw the areas of operations at the Airport.

Proper utilisation of human resources requires the authorities at the Airport to restore staff morale through motivation. Otherwise, the problems and bottlenecks will continue to retard the development of air cargo in this country. The

management must show interest in the staff, training programmes should be instituted and appreciation or recognition of outstanding achievements by the staff must be accepted. Meaningful and free exchange of views is lacking in K.A.H.L. and Kenya Airways and there is definitely a problem of interpersonal communication, especially among the line managers. It will be noted that Abraham H. Maslow has propounded the hierarchy theory of human needs: physiological, safety, social, esteem and self-actualization needs. As soon as one need is satisfied, another one comes. It is recommended that the authorities must take interest in the employees and find out the general cause for the existing low morale. Each time I go to the Airport, I am always asked by K.A.H.L. employees if I can offer them jobs in our organization. Dissatisfied employees cannot be expected to perform their duties with dedication. Hence their productivity must be below the standards expected. The best advice we can offer K.A.H.L. and Kenya Airways is that there are different factors that can motivate employees to perform well, hence their management must find an effective way of motivating their staff if the problems and bottlenecks have to be eliminated.

The selection of staff should be done carefully. This is not the case with K.A.H.L. and Kenya Airways. People are usually promoted to senior positions because of other factors but not ability to do the work. To quote a few points from Mr. P. N. Gufwuli, Lecturer, Management and Business School, U.S. International University - Africa, we would like to advise the authorities that labour policy should be clearly stated so that there is no question of what it purports to do, it must be consistent with public policy, it must be uniform throughout organization, policies should be well chosen in terms of total situation faced by the management, each employee must be considered as an important person, respect of human dignity is required, provision should be made for the best wages, working conditions and social benefits consistent with current business practice and the organization's earnings, effort should be made to ensure security of employment and income for employees, experienced and qualified people should be employed properly in their jobs, employees should be developed
according to their natural abilities, opportunities for advancement must be based on merit and fair and just relations should be maintained with representatives chosen by employee groups. Most of these motivating factors are lacking in Kenya Airways and the management should look into each item.

Finally, negative conflicts arise between the line managers due to their desire to protect their sections. The solution adopted usually leads to lack of cooperation and quarrels. This is another area where we recommend that Kenya Airways and K.A.H.L. should improve their operations by solving inter-group conflicts in a productive way.

In our analysis, we have referred to K.A.H.L. and Kenya Airways as if they were the only institutions handling airfreight in Kenya. Something must be said about the Customs & Excise Department and the cargo agents if we have to come up with constructive suggestions regarding solutions to the bottlenecks at the Airport. The agents usually employ people who have already been trained, mostly by airlines. Like in Express Kenya Limited, the current Marketing Manager, Sales Manager and Asst. Manager, Exports, were employees of the national carrier. There are several junior personnel who moved to Express from the national carrier. Two Asst. Managers, Imports, are former employees of Customs & Excise Department. The salaries and wages paid by the agents are higher than those paid by the national carrier or K.A.H.L. The machinery for staff grievances and means of staff motivation are better streamlined in agent organizations than in K.A.H.L. and Kenya Airways. Hence it is necessary that our recommendations should be addressed to the Ministry of Transport and Communications because Kenya Airways and K.A.H.L. come under this Ministry.

The Customs & Excise Department comes under Finance Ministry. Customs administration has a training programme for their new employees but the main problem which the Ministry should improve upon is planning together with reduction of bureaucracy.

10. Peter N. K. Gufuwoli: Lecture on Strategy and Organization Delivered to MBA and MS (MOD) Graduate Class, USIU-A, on 24.5.80
This has been discussed in Section (1) above.

3. **TOP MANAGEMENT**

In the business world, top management is usually the engine of an organization. As an automobile cannot function without the engine, so an organization cannot function effectively without top management. As Mr. Peter N. K. Guwuoli put it in his famous lecture on Strategy and Organization delivered to the MBA and MS(MOD) graduate students at the USAIU - A, the top management is the highest change agent in any organization.

To what extent can we say that top managements in the agents, Customs and Kenya Airways are involved in cargo handling process in Kenya? First, what do we mean by top management? For the purpose of this thesis, top management means the body charged with the responsibility for formulation of corporate policies, and ensuring that such policies are implemented.

In the previous section we had seen that in the agents organizations, the managing directors, general managers and their deputies are fully involved in cargo handling matters. They take interest in the process and this motivates their junior staff to do the same. We had mentioned earlier that competition in the cargo industry among the agents and airlines is very keen. Hence the agents can survive only if they handle cargo efficiently. They are in business to make profits, hence their top executives are always involved.

In view of this, what is going to be discussed in the rest of this section will be for Customs & Excise Department, Kenya Airways and K.A.H.L.

To start with, the Customs, the Ministry of Finance, through the Commissioner of Customs & Excise, should be reminded to review the documentation and handling problems at the Airport. Policies regarding staff allocation and simplification of clearing documentation should be carefully studied, formulated and implemented. Professor H. Igor Ansoff of the Graduate School of Management at Vanderbilt University, Nashville,
Tennessee, tells us that all organizations are dynamic and they must change because their internal and external environments keep on changing. Even if the top management does not plan a strategic change, many aspects of change will still be experienced due to the changing organization environments. Professor Ansoff says, "Strategic decisions, which are concerned with maintenance of a viable product line, compete for top management attention with operating and administrative decisions." What he is saying in other words is that top management decisions are divided among strategy, operation and administration decisions. He concludes that because of historical evolution, operating and administrative decisions are usually given priority over the strategic decisions. 11

Let us now go back to Customs & Excise Department. As Ansoff says, the top management has been concerned with operating and administrative decisions. Even here the required decisions are usually not made promptly. For example if you apply for a refund of duty or sales tax which had been overpaid to the Customs, you will wait for a long period. In Express Kenya Limited, we have three cases in which two reminders had to be sent to the Collector of Customs before such refunds were received. The delays and other bottlenecks at the Airport could be reduced if the top management of Customs paid more attention to strategic decisions instead of operating and administrative decisions alone. The current policies should be reviewed with a view to amending them or introducing new ones, especially in respect of documentation where East African Customs & Excise is still appearing in some documents in spite of the fact that this organization is now defunct and Kenya Customs & Excise has taken its place. In two known cases, the Collector of Customs did not have adequate staff to cope with the documentation work and it took his superiors several weeks before the situation was rectified. Customs authorities must adopt the principles

(ii) Corporate Strategy, Penguin Books, 1979, Ch. 6, 9 & 10
of strategic planning and do away with complex documentation, consider reduction of the number of such documents to be used, and the actual work flow regarding processing of documentation should be streamlined to eliminate the delays and congestion in the freight shed.

For Kenya Airways and its subsidiary, K.A.H.L., it is sad to note that the top management personnel are not sufficiently involved in cargo matters. We have shown in the previous sections how senior management personnel are not fully involved in cargo handling in Kenya. We had also mentioned a case where the previous Managing Director of Kenya Airways never visited K.A.H.L. although this monopolistic freight organization earns quite high revenue for the national carrier (about Sh. 4mil. per month). It is reasonable to argue that there is no strategic plan for the future of airfreight and top management personnel are complacent with the status quo. In our strategy and organizational development recommendation, we state that Kenya Airways can eliminate the delay and other bottlenecks if the top management takes strategic decision instead of operating and administrative decisions. In formulation of strategies and policies, the personnel concerned must consider the following points:

1. Market opportunities should be analysed.
2. Corporate competence and resources (including human resources) should also be analysed.
3. Values and aspirations of the key executives will be determined and
4. The company responsibilities to various client systems should be acknowledged.

Broadly speaking, Kenya Airways top executives should consider their company and its environments; internal and external environments such as technological, social, political and economic changes taking place in the country. Then they must consider the outlook for the cargo industry as a whole. How stable is the demand for their product (service)? What is their capacity to supply the product? What are their labour and material (spares and equipment)
costs? Finally, what are their competitive strengths in the cargo industry in respect of finance and ability of management? Regarding their market position, what are their market share in the cargo industry? How do their services compare with the services of other airlines? These are the questions which the top executives of Kenya Airways must answer if they want to eliminate the problems and bottlenecks in the air cargo industry. As the engine of Kenya Airways' organization, the top executives should answer the above questions and come up with their strategy. In evaluating the strategy they will first identify the strategy itself, then find out if it fully exploits domestic and international environment opportunities. Market opportunity is important in this case. The strategy will be consistent with the Company's competence and resources now and in future. Financial and management resources must be determined and programmed in a time sequence and it is vital to ensure that the major provisions of the strategy and the programmes of major policies of which it is composed are internally consistent. This means that the consistency of the variables in the micro system and the major policies must have coherence, compatibility and synergy. The chosen level of risk must be feasible in economic and personal terms (strategy varies according to the degree of risks undertaken by the designers). The strategy must be appropriate to the personal values and aspirations of the key managers since conflicts of aspirations of the managers and the goals of the organization lead to low work performance. The strategy will be socially responsible and appropriate to the desired level of contribution to the society. With the present situation existing at the Airport, the last requirements are lacking, hence K.A.H.L. and Kenya Airways must take these ideas seriously. Another point which is lacking in K.A.H.L. is that the strategy should constitute clear stimuli to the organization's efforts and commitments. This means that the key personnel must be committed to the goals of the organization. Finally, there must be clear indications of the responsiveness of the markets and market segments
to the strategy and a feedback process must be available.\textsuperscript{12}

The business activities cannot be improved if the top management is not fully involved in such activities. Freight handling is a major area of business activity in Kenya Airways, and we recommend that the top management must be fully involved. The above principles of business strategy should be adopted and the bottlenecks at the Airport should be eliminated. Staff should be selected according to their abilities to perform their duties and control system must be made effective. Is it necessary to formulate a business strategy in order to be successful? H. Igor Ansoff says:-

1. "In the absence of strategy, there are no rules to guide the search for new opportunities, both inside and outside the firm."

2. "Project decisions will be poorer than in the firms with strategy."

3. "The firm will have no formal provision for partial ignorance. No yardsticks will be available to judge whether a particular opportunity is a rare one or whether much better ones are likely to develop in the future."

4. "Without the benefit of a periodic appraisal, the firm would have no assurance that its overall resource allocation pattern is efficient and that some product lines (service in our case) are not obsolete."

5. "The firm will lack an internal ability to anticipate change.\textsuperscript{13}"

Finally, it is our genuine belief that business education must be recommended to the decision makers of Kenya Airways. The University of Nairobi and United States International University can help in designing some programmes of from two weeks to three months for business executives who have no wish to study for degrees. This will help not only Kenya Airways but also other top executives to acquire the lacking ability to plan and implement the plans.

\textsuperscript{12} Peter N. K. Gufuwoli: Lecture on Strategy and Organization delivered to MBA and MS (MOD) Graduate Class, USIU-A, on 12.4.80

\textsuperscript{13} H. Igor Ansoff: Corporate Strategy, Penguin Books, 1979, Ch.6, p.102
4. TECHNOLOGICAL INNOVATION

In many airports of the advanced countries the computers have been installed to monitor the cargo handling business. The airfreight business is international in nature and it is vital to the cargo industry in Kenya that a plan to install a computer for cargo and other operations should be made as early as possible. The Ministry of Finance and the Ministry of Transport and Communications must liaise to plan for the future of cargo development.

It is granted that to install a computer at the airport will cost the Government a great deal of money. It is granted further that Kenya is still a developing country and our facilities will remain comparatively poorer to the facilities existing in the more advanced countries. But we must ensure that we formulate our business policies in such a way that we cater for technological innovation. The period from 1960 to 1980 has been a period of upward technological development during which the scientists have made the computer a practical machine and electronics in general have replaced human labour in many respects. The business communities are living in the dynamic world and they must understand the language of change as change is so inevitable during the 1980's that any company or organization which remains blind to the forces of environment changes will be unsuitable for the future business world.

The authorities at the Airport must consider not only the computer but also the conveyor belts for easy handling of air cargo. At Copenhagen Airport I saw in October, 1978 when I went there, that checking and stacking of cargo in the freight shed was done by the computer and the conveyor belt.
These are some of the facilities that the authorities must formulate policies to introduce in the future. Loading platform is another cargo handling equipment that we need at the Airport in future. Some of the loading platforms are operated manually while others are electric. Again the question of finance comes in and this is why we recommend that plans must be drawn now regarding the equipments which we shall use, say, during the 1990's. If no plans are made, the authorities will in future make hasty decisions in the face of crises and the principles of scientific management and management by objectives will be overlooked. Technical education should be acquired by the employees in advance before an equipment is introduced.

This will make it possible to avoid the expensive procedure in which Kenya Airways usually employs expatriates to do the work they (expatriates) do not know yet their salaries are very high. Planning is badly required in technical education. There is a case where somebody was sent to India for many years for an engineering course. He came back with a very good certificate as a qualified engineer for Folker Friendship aircraft. Within a short period other types of aircraft were introduced and the gentleman lost his technical skill. To me this is an example of lack of effective planning. The plans drawn now must consider what is going to happen tomorrow and training of staff must be a continuous process.

In the foregoing paragraphs we have discussed technically advanced equipments which should be introduced in future if the authorities concerned have to develop the freight industry in this country. What about the existing equipments at the Airport? Are they serviceable all the time? We have already noted that the animal holding compound was not included in the new Airport despite the fact that animals are frequently handled at the Airport.
There are specific rules and regulations together with the required facilities for handling animals.¹⁴ These should not be ignored as part of our technological innovation. Transport and Communications Ministry should consider building the animal holding compound with modern facilities. There should also be a special storage for certain dangerous cargo such as radioactive and flammable goods. These are being kept in the freight shed with other general goods. They must have their own special storage to avoid any harm which they can cause to people or other goods if they are not properly kept.

For easy handling of freight at the Airport there are other facilities such as a forklift, a hoist in the freight shed, truck-macs, pallets, dolleys and low-loader kept by Kenya Airways. But in many cases some of these equipments are not serviceable. Some of the pallets are damaged, some dolleys do not have ball-bearings required for sliding the pallets over the dolleys and some trolleys are open. Locked trolleys are required for handling valuable cargo and post office mail bags. Theft has occurred many times between aircraft side and the freight shed because goods which have been offloaded from the aircraft have been placed on open trolleys and taken to the cargo shed for rotation. In our oral interview with Kenya Airways and KANL's representatives, it was established that Kenya Airways does not have sufficient money to invest in the spares for the equipments.

¹⁴. IATA Live Animals Manual Regulations (7th Ed. of 1/1/79)
The truck-mac units were bought in Japan and apart from lack of finance, there are no sufficient spares. Somebody from Kenya Airways signed a contract of purchase of the truck-mac units but no guarantee was secured in respect of availability of the spares. Management by objective principles not followed.

Another problem of equipments is about who should be responsible for the maintenance? The question of bureaucracy comes back again. The Engineering Department of Kenya Airways is responsible for purchase and repairs, Kenya Airways Tarmack Handling Services Department is responsible for maintenance and KAHL uses most of the equipments in cargo handling. If pallets or trolleys are damaged and they have to be repaired, the work cannot be done quickly because three different departments are involved. It is recommended that the Engineering Department should be responsible for purchasing only and maintenance and usage should be the responsibility of each department. Interdepartmental conflicts could arise if the heads of these three departments are left to handle the matters among themselves through a horizontal communications method without a more senior executive to coordinate the equipment affairs.

In conclusion we recommend that the authorities at the Airport must consider technological innovation necessary for the cargo growth in Kenya. Other Airports are going ahead and new ways of doing things are still being introduced in cargo handling. By 1990's our Jomo Kenyatta International Airport will be too underdeveloped to keep up with the traffic unless the authorities consider improvements of the available equipments and

15. Oral Interviews with Kenya Airways and KAHL Representatives
introduction of more advanced ones such as conveyor belt, computer and loading platform. Technological innovation is an integral part of the dynamics of change and it must be considered more seriously by the authorities. Any management which does not consider technological innovation while making plans for future operations will be simply declared technologically redundant by the dynamic forces of change. The authorities must, therefore, start planning now.

Technological innovation, in terms of management techniques, is an integral part of the role a manager plays in his functional area, especially with respect to technical functions in an organization. Hence our recommendation to the Airport authorities must be considered very seriously. Otherwise their managers of 1990’s will never be effective and they will be blamed for nothing. Cargo handling is a technical process and the policy makers must think in the above lines.
5. UNETHICAL BUSINESS PRACTICE BY AGENTS

We had seen in section (4) of Chapter Six that there is a circumstantial evidence that some agents bribe officials to process their documents quickly. This problem has been raised in KAPA meetings and the authorities have promised to eliminate it by punishing the offenders if they are caught and reported. It was noted that because of the nature of the transaction involved, it was extremely difficult to produce acceptable evidence. What is the solution to the problem? What can the Ministry of Finance do to eliminate it? What can we as management experts recommend to the authorities?

One way of making efforts to eliminate the practice is for the authorities to transfer the officials after short intervals. The new officials will take time to be used to the agents operating at the Airport. Another way should be for the officials to examine the respective documents whenever complaints of delays are received. If the delays occur in one case and not in another under the same conditions, the officials should question the staff responsible for the delays. By the officials we refer to the Principal Collector and Collector of Customs who do not deal with the documents directly. These are measures which can help but if we want to eliminate the cause, efficiency is the answer. The standard requirement of processing the clearing documents within 48 hours should be adhered to and the officials should take it with their staff if this is not being done. Again we think that the scientific method can be followed to eliminate the delays.
Once it is established that all the documents are being cleared within 48 hours neither the agents nor the staff involved will have any reasons for paying the "expedition fee".

The scientific method can help to eliminate this bottleneck of documents. In this respect we recommend that the officials should use the principles proponed by Henry L. Gantt who introduced a chart, "which plotted planned or actual performance against time" and noted that "organizations developed habitual ways of doing things. It was important, he said, that these habits be good ones set up initially by good managerial practices."16 If the principles of scientific method is followed, there will be no bottlenecks in documentation and consequently the unethical practice will die away by itself. It could be argued that our recommendation is dealing with the effect and not the cause. There is another method that we think that will be most effective. This is outlined in the next paragraph.

The Ministry of Finance and the Ministry of Transport and Communications should agree that if a delay is caused by KAHL then demurrage charge will not apply (this is actually being done now). They should agree also that if a delay is caused by customs, the documents should be stamped "delay due customs" and the agents or importers must not be made to pay the demurrage charge. If the two ministries agree, the customs can be made to pay demurrage charge to KAHL whenever they cause the delay. Otherwise the demurrage charge should all the time be waived whenever the delay is caused by customs and KAHL alike. In this respect no agents will spend money in the unethical practice of "expedition fee". To prevent the cause of the disease is better than to cure the disease.

Hence we emphasise that the last recommendation in this paragraph should be given a very serious consideration by the authorities concerned. Scientific approach should also be considered because even if the demurrage charge is not paid, the delay causes inconveniences and congestion in the freight shed, hence inefficiency which hinders airfreight development in the country.

The existence of the above problem has been denied by the parties involved but we think that it was a good idea to mention it here because it has repeatedly come up for discussion in the KAPA meetings. At one stage the Collector of Customs and the Deputy General Manager of KAHL told the agents that if they were paying the "fee", they were at fault as much as the recipients of the payment. This was a fair remark on the part of the above-mentioned officers. However, the permanent solution lies in our last recommendation in the above paragraph. We contend that this "unethical practice" does not help to promote airfreight development in Kenya and it does not help the economy of this country. Hence it must be eliminated completely.
6. **SOUND FINANCE ADMINISTRATION**

It is reasonable for KAHL and Kenya Airways to raise enough revenue to cover their costs and earn profits. This is necessary. However, we feel that the handling charges and demurrage charges are very high. In 1978 these charges were only 15 cents per Kilo. In that year they were raised to 55 cents per Kilo per day in respect of demurrage and the same amount per kilo for handling. Some complaints were raised and the handling charges were reduced to 40 cents per kilo for general cargo and 35 cents per kilo for horticultural produce consignments. If you import goods weighing 10,000 kilos in one month, you will pay at least 4,000/- shillings for handling to KAHL and if they were delayed for, say, 4 days, you will pay demurrage charges amounting to 22,000/- shillings. These charges are too high and not encouraging importers.

Here we cannot blame KAHL alone. Even the cargo agents are charging their clients a great deal of money. Their agency fee, for example, ranges from 0.5% to 1% of C.I.F. value of a consignment. Then they charge disbursement fee which ranges from 1% to 2½% of the actual amount disbursed. For goods which come as consolidations the break-bulk fee ranges from 150/- shillings to over 130/- shillings. It depends on which agent you are dealing with.

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17. **KAHL’s Handling and Storage Rates in Invoices.**

18. **Agents Rates in their Invoices**
High rates discourage people to transport their goods by air. It is necessary therefore, for both Kenya Airways/KAHL and the agents alike to refrain from increasing the various charges. If more people are attracted to transport their goods by air the volume of airfreight will be higher than what it is now. Consequently the revenues for KAHL and the agents will remain high due to the increased volume of freight. The low price will be compensated by the increased volume of freight. It should be noted that many people send their freight by sea simply because of the high costs of air freight. KAHL and Kenya Airways can do nothing about the freight rates because these are controlled by IATA members jointly. However, the handling and demurrage rates at the Airport, together with agency and consolidation fees charged by cargo agents, are internal affairs which we can control in Kenya.

The question we usually hear is that operating expenses have increased, hence it is necessary to raise the handling and other charges. We propose that if KAHL, Kenya Airways and cargo agents enforce sound financial administration within their organizations, their operating cost would be lower than what it is now. How can it be done? Is there any further room for improvement?

The agents, it is recommended, should use the Operations Research Techniques in their approaches to investment. What are these techniques? To quote from Professors Robert J. Thierauf and Robert C. Klekamp both of Xavier University, "Its basic steps are: observation, definition of the problem, development of alternative solutions, selection of optimum solution using experimentation, and verification of optimum solution through implementation. These are the
traditional steps in the scientific method. An updated version of this method includes mathematical modeling use of the standard techniques of operations research, establishing proper controls, and the utilization of computer capabilities.\textsuperscript{19} We can, for our level of development leave the computer out but the "selection of optimum solution" is very vital to the success of our business. These OR techniques are important in investments, expansion schemes and other areas of business activities. For example recently one of the cargo agents decided to build a multi-million shillings freight shed at the Airport but before the venture was completed, the agent went bankrupt and the organization was liquidated. This is not an example of "selection of optimum solution" based on OR techniques. Other agents also have some aspects of lack of sound financial management and they make up for the wasted or misused funds by charging their clients heavily. For example, is it economical for the junior managers to be given big cars with engine capacity over 2000 c.c.?

On the side of Kenya Airways and KAHL the OR techniques are rarely applied while opening a new air route and in many cases operations have led to losses. Because KAHL is a monopolist, it earns high revenues for the national carrier. The revenues come from handling charges, demurrage charges and consignments carried by Kenya Airways. If sound financial administration was introduced by KAHL and Kenya Airways, our internal rates at the Airport could be reduced to attract more people to have their goods transported by air, and this would enhance air-freight development in Kenya. KAHL and Kenya Airways, in fact, employ some dead wood - people who earn money but their productivity is questionable.

In sound financial management such people should not be employed. Among the dead wood are not only local employees but also some expatriates who come as advisers but in reality learn how to do the work from their unfortunate junior local staff. For example a former Cargo Manager at the Airport was unable to get a supervisor's job in his country (he told me about it when I met him in London a few years ago). In conclusion, we recommend that all the authorities concerned with airfreight handling in Kenya should avoid raising of their charges, adopt sound financial administration based on OR techniques and make efforts to eliminate the various bottlenecks so that the rate of airfreight development can be higher than what it is now.
CHAPTER EIGHT

THE FUTURE OF AIRFREIGHT
AND CURRENT INSURANCE
POLICIES IN KENYA

1. THE FUTURE OF AIRFREIGHT IN KENYA

There is no doubt that despite the problems and bottlenecks described in Part Two this thesis, the future of airfreight looks bright. KAIRL, Kenya Airways, other airlines and cargo agents have increased the volume of air cargo over the last four years. The trend is that cargo growth will continue as more and more people turn to air transportation of export and import consignments. By 1990's it is submitted that cargo will perhaps earn more revenues for the airlines than the passengers. This view is held because passengers make airlines incur expenses such as cost of drinks for first class passengers, food and hotel accommodation if a flight is delayed. Again a flight cannot be cancelled because it is not full with passengers. Once they are booked, they will force airline operators to fulfil their obligations by operating the flight even if it is not full. This has made Kenya Airways lose a great deal of money in routes where the operating costs are higher than the revenue earned.

Cargo does not drink or eat. Even if a flight is delayed, there is no extra expenses from cargo except for the perishable goods. Again it is possible to consolidate cargo so that a full load of aircraft is secured. In fact this is precisely what the charter operators are doing. The current world economic recession has interrupted the aircargo development because our Central Bank has stopped to issue new licences due to exchange control problems.
However, it is hoped that the current recession will end and the previous growth trend in air cargo will continue.

In conclusion we state hopefully that the authorities at the Airport will see the dynamic forces in air cargo growth and they will address themselves to the solution of the problems of Part Two of my thesis, especially my objectively analysed suggestions in Chapter Seven will be the main guidelines for their strategic decisions.
2. AIRFREIGHT INSURANCE AND CLAIMS IN KENYA

(a) NATURE

When we talk about airfreight insurance in Kenya, we must mention the airlines' method of insurance. There are valuable consignments with declared value for carriage of over 142.90 shillings per kilo. If a consignment has declared value for carriage above 142.90 shillings per kilo the shipper or his agent will pay valuation charge in addition to the usual airfreight insurance charges. The valuation charge is applied so that the shipper or his agent may be paid a reasonable compensation in case his goods are lost or damaged before they are collected by the consignee. This is one way of insurance of cargo by airlines directly. If the goods do not qualify as valuable cargo, the shipper may take an ordinary insurance policy with his insurance company, in which case the airlines are not responsible for the insurance aspect of the goods. In this case, the consignor will refer to his selected insurance company if the goods are lost or damaged. The airlines may also accept to insure consignments which are not valuable. But for the valuable cargo, the trend is to raise the valuation charge and advise the consignor to consider taking independent insurance policy without reference to the airline concerned. In short we can say that there are three aspects of cargo insurance: consignments of high value (i.e. over 142.90 shillings per kilo) where the consignor pays valuation charge, ordinary consignments insured through airlines' policies, and shipments in which the consignor takes an insurance policy independent of airlines.
How do the different policies help the consignor or consignee to claim damages from the airlines in case a consignment is damaged or lost? The airlines strictly adhere to their established standardised contracts of carriage for air cargo, the terms of which are described in their documents. These terms or conditions were unified at the Warsaw Convention of 1929 and they were amended accordingly at the Hague Protocol of 1955. While settling insurance claims, the airlines tend to stick to their own terms as much as possible. In some cases the owner of the goods suffer because of airline regulations. For example if British Airways carries goods for Mr. George Brown from London to Nairobi and the goods are handed over to KAHL to deliver to the consignee, who will pay compensation to Mr. Brown if the goods are damaged prior to delivery? British Airways will argue that KAHL damaged the goods and KAHL will argue that it acted merely as an agent for British Airways. If Mr. Brown does not push his case hard, a delay will occur regarding the settlement of his claim.

The Warsaw Convention laid down the obligations, liabilities and rights of the airlines, the agents and the consignors or consignees. The terms of the convention form the basis of settlement of cargo claims.
(b) **RATES OF INSURANCE PREMIUMS**

A few years ago most of the airlines had fixed insurance rates which were arranged as follows:

<table>
<thead>
<tr>
<th>Value in K. Shillings</th>
<th>Premium in K. Shillings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000-2000</td>
<td>100</td>
</tr>
<tr>
<td>2001-4000</td>
<td>150</td>
</tr>
<tr>
<td>4001-6000</td>
<td>200</td>
</tr>
<tr>
<td>6001 and above</td>
<td>250</td>
</tr>
</tbody>
</table>

This arrangement of standardised premiums was abolished and at the present moment individual airlines are free to accept insurance on behalf of insurance companies they have made agreements with. There are no uniform or standard rates, and the premium varies from one airline to another. Any shipper who wants an insurance coverage for his goods must check with the respective carrier. The premiums range from 0.125% to about 0.3% or more of the declared value for carriage. The Air Cargo Tariff gives full details for each airline in respect of insurance rates and regulations.¹

In Nairobi the following airlines have insurance facilities: Air France, Lufthansa, Swissair, Pan American Airways, Olympic Airways, KLM Royal Dutch Airlines, Sabena, SAS and Iberia. No insurance facilities, however, are available for Alitalia, Zambia Airways, Air Zaire, Uganda Airlines, Ethiopia Airlines, Nigeria Airways, Air Mauritius, Kenya Airways and British Airways.

¹ The Air Cargo Tariff, Issue No. 8, April 1979, Section 8
(c) RESTRICTIONS

The airlines have restrictions regarding certain air routes and certain commodities because of the dangers involved. Air France, for example, states that under its insurance scheme, all goods can be insured except precious stones, jewelry, pearls, firearms, ammunition, explosives, combustible materials, corrosive materials and all other goods unacceptable to air carriage. The following risks are excluded from the scheme:- delays, inherent defects in the consigned objects, loss or damage due to lateness or deficient packing, loss or damage due to foreign wars, insurrection, civil war, riots, piracy or strikes, and loss or damage due directly or indirectly to a change in atomic structure or the result of radioactivity. It states that its maximum insurance value for any one consignment is USD 100,000 (subject to some limitations). It has also war risk insurance schemes and special risk schemes. These are fully described on pages 111 to 113 of The Air Cargo Tariff.³

Other airlines have their own restrictions and it is recommended that any consignor or owner of goods who wants insurance facilities must contact individual airlines for full details. It suffices to conclude that insurance policies are vital to air cargo growth, and all shippers, consignees, agents and airlines participate in handling various aspects of insurance and claim matters.

3. The Air Cargo Tariff, Issue No. 8, April, 1979, pp. 111-113
3. **VALUATION CHARGE COMPUTATION**

In section (1) above we have referred to the valuation charge computed on valuable cargo (e.g. gold, watches, cameras, etc.). These are consignments with declared value for carriage in excess of Kenya Shillings 142.90 per kilo.

If the cargo qualifies as valuable cargo, the rate is 0.1% of the total value declared for carriage. If, however, a shipment is considered to be general cargo but the consignor has declared the value for carriage in excess of Kenya Shillings 142.90 per kilo, the valuation rate is 0.5% of the total value declared for carriage.\(^2\)

On top of the above rates, the owner of the goods usually takes separate cargo insurance policies, the details of which have been discussed in section (1) (b) above.

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2. The Air Cargo Tariff, Issue No., April, 1979
Sections 3. 1,2
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