THE REPUBLIC OF UGANDA

IN THE COURT OF APPEAL OF UGANDA AT KAMPALA CIVIL APPEAL NO. 23 OF 2007

(Arising from H.C.C.S No. 611 of 2004)

5 UGANDA RAILWAYS CORPORATION:.... APPELLANT
VERSUS

EKWARU D.O. & 5104 ORS :::::: RESPONDENTS

CORAM: HON. MR. JUSTICE ALFONSE OWINY DOLLO, DCJ
HON MR. JUSTICE KENNETH KAKURU, JA
HON MR. JUSTICE STEPHEN MUSOTA, JA

JUDGMENT OF COURT

This is an appeal from the Judgment of the High Court at Kampala, before the Hon. Mr. Justice R. O. Okumu-Wengi in H.C.C.S No. 611 of 2004 delivered on the 17th day of July 2006 in favour of the respondents. The appellants being dissatisfied with the findings and decisions of the High Court filed this appeal.

Background

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The plaintiffs (now respondents) brought a representative suit on their own behalf and on behalf of 5101 others to recover from their former employer pension and other terminal benefits. The respondents and those they represented were at all material times employees of the appellants. On various dates from the year 1986 to the year 2004, the respondents were retired, retrenched or had their services unlawfully terminated by the appellants. In the process of

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carrying out the said retirement, retrenchment and or termination, the appellant is said to have under paid the respondents their terminal benefits, refused to pay the plaintiffs (respondents) their pension in accordance with the provisions of the Pension Act and Regulations made there under.

On 8th July 2004, the High Court granted Ekwaru David O, Opolot M, Dramadri L. and Kitafuna W, leave to bring a representative suit under O.1 Rule 8 of the civil procedure rules (CPR) on their own behalf and on behalf of 1330 former employees of the appellant. On the 19th of August 2004 the four persons filed a suit against the appellant seeking for orders that pension for those legally entitled be calculated in accordance with the Pension's Act and be paid accordingly.

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Judgment was entered in favour of the respondents and they were also awarded 500,000/= general damages each and interest at 17% p.a on the sums payable from the date of filing till full payment and costs of the suit. The appellant was dissatisfied with the judgment of the High Court and filed this appeal on the following grounds;

- 1. The learned trial Judge erred in law when he failed to establish and hold that the respondent's action/suit was time barred both under the Uganda Railways Corporation Act and the Limitation Act.
- 2. The learned trial Judge erred in law and fact in entering judgment against the appellant in favour of 3771 respondents who were not proper parties to the suit.
- 3. The learned trial Judge erred in law and fact in holding that the respondents proved their case against the appellant which they substantiated in the exhibits and oral testimony of Ekwaru (PW1).
- 4. The learned trial Judge erred in law and fact in holding that;

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- (a) The respondent's claims are well founded in the Pension Law and the Constitution of Uganda.
- (b) The respondents are entitled to pension calculated in accordance with the Pensions Act.
- 5. The learned trial Judge erred in law and fact and failed to properly evaluate the evidence on record thereby reaching erroneous holdings that;
 - a) The respondents were underpaid
 - b) The respondents are entitled to;
 - i) A refund or payment of house rent
 - ii) Bonus arears for Nalukolongo staff
 - iii) Refund of wrongfully deducted taxes or advances and;
 - iv) Such other dues claimed and payable.
 - 6. The learned trial Judge erred in law and fact in awarding the respondents interest on the sums payable at the rate of 17% p.a from the date of filing the suit till payment in full.

Representation

At the hearing of this appeal, Mr. Pope Ahimbisibwe appeared for the appellant while Mr. George Omonyokol appeared for the respondents.

Submissions of Counsel:

The parties adopted the written submissions they filed earlier. The submissions will form part of this judgment. We shall refer to the submissions while resolving each ground of appeal.

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Court's consideration of the appeal

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The duty of this court is set out in Rule 30 of the Judicature (Court of Appeal Rules) Directions. It provides:

- "30. Power to reappraise evidence and to take additional evidence
- (1) On any appeal from a decision of the High Court acting in the exercise of its original jurisdiction, the court may—
 - (a) Reappraise the evidence and draw inferences of fact; and
 - (b) In its discretion, for sufficient reason, take additional evidence or direct that additional evidence be taken by the trial court or by a commissioner."

The appellate court must make up its mind by carefully weighing and considering the evidence that was adduced at trial. Mugema Peter Vs Mudiobole Abedi Nasser Election Petition Appeal No.30/2011.

15 Ground1.

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The learned trial Judge erred in law when he failed to establish and hold that the respondent's actions/suit was time barred both under the Uganda Railways Corporation Act and the Limitation Act.

Counsel for the appellant submitted that although the ground raises issues or matters that were not canvassed at the trial, this court, as a court of law, is enjoined with the powers to entertain a matter concerning an illegality. Illegality is a matter of law that can be raised at any time or at any stage of the proceedings with or without prior knowledge of the parties.

Counsel relied on this court's decision in Election Petition No. 20 of 2006, Ndaula Ronald Vs Hajji Naduli Abdul specifically the lead judgment of the Hon Justice L. E. M. Mukasa-Kikonyogo, DCJ, where she quoted with approval, the statement in Philips Vs Copping (1935) 1 KB that; "It is the duty of the court when asked to give a

judgement which is contrary to a statute to take the point although the litigants may not take it"

Further, she cited the famous case of Makula International Ltd Vs His Eminence Emmanuel Cardinal Nsubuga and another C.A CA No. 4 of 1981 wherein court held that; "A court of law cannot sanction what is illegal, an illegality once brought to the attention of the court, overrides all questions of pleading, including any admission made thereon"

Counsel quoted the provisions of S. 53 of the Uganda Railways

Corporation Act which provides that;

"Where any action or other legal proceeding is commenced against the corporation for any act done in pursuance or execution, or intended execution of this Act or of any public duty or authority or in respect of any neglect or default in execution of this Act or any such duty or authority, the following provision shall have effect;

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b) The action or legal proceeding shall not lie or be instituted unless it is commenced within twelve months after the act, neglect or default complained of or in the case of a continuing injury or damage, within six months after its cessation"

The above section limits the time within which a suit can be brought to 12 months. This court has however pronounced itself on the issue of time limits in cases against government or corporations in Kabandize and 20 others Vs Kampala Capital City Authority Civil Appeal No. 28 of 2011. In that case, the issue court addressed was the discrimination between the State and the person as provided for under Section 2 of the Civil Procedure and Limitations (Miscellaneous Provisions) Act. It was held that;

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"While construing **Section 2** of <u>The Civil Procedure and Limitations (Miscellaneous Provisions Act)</u> already set out above, Courts of law must therefore take into account the provisions of Articles 274 and Article 20 of the Constitution of Uganda.

Article 20(1) of the Constitution provides as follows;-

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"All persons are equal before and under the law in all spheres of political, economic, social and culture life and in every other respect and shall enjoy equal protection of the law."

This article in our view requires that parties appearing before Courts of law must be treated equally and must enjoy equal protection of the law.

The reading of Article 20(1) above and Article 274 of the Constitution together would require **Section 2** in **CAP 72** to be construed with such modifications, adaptations, qualifications and exceptions as is necessary to bring it into conformity with the Constitution."

Likewise, section 53 of the Uganda Railways Corporation Act is also discriminatory in as far as it gives preferential treatment to corporations and government regarding the time within which to file a suit. We therefore find that non-compliance with section 53 of the Railways Corporation Act does not render a suit incompetent. The limitation applicable ought to be 6 years as in any other contract under the limitation Act.

The appellant relied on **S.3 (1) (a)** of the **Limitation Act** and argued that the suit from which this appeal arises is time barred in respect of all those Respondents who were retired, retrenched and or had



their services terminated on or before the 19th day of August, 1998 for reasons that the suit was brought six years after their alleged cause of action arose.

At the trial in the lower court, the appellants did not raise the issue that the respondent's suit was barred by time.

Rule 86 (1) of the Judicature (Court of Appeal Rules) Directions S.I 13-10, the law states that;

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(1) "A memorandum of Appeal shall set firth concisely and under distinct heads, without argument or narrative, the grounds of objection to the decision appealed against, specifying the points which are alleged to have been wrongfully decided and the nature of the order which it is proposed to ask the court to make"

From the above Section, it is clear that the memorandum of appeal should only bear points, which are alleged to have been wrongfully decided in the lower court. In the Supreme Court case of **Bogere Moses and another Vs Uganda S.C.C.A No. 39 of 2016**, the respondent raised a preliminary objection that the Court of Appeal entertained an appeal by the appellants based only on sentence, the appellants never raised the issue of their conviction before the Justices of the Court of Appeal. That the Justices of Appeal should not be criticized therefore over what they had no opportunity to handle. The preliminary objection was upheld by the court and the ground of appeal that had not been raised on 1st appeal was dismissed.

Likewise in Twinomugisha Alex Alias Twine Patrick Kwezi & John Sanyu Katuramu vs. Uganda C.O.A Criminal Appeal No.35 of 2002 this Court held as follows:

"With respect, we think that this ground is not maintainable, because it was not raised before the Court of Appeal and

considered by the Justices of Appeal. Therefore, it is erroneous to criticize the learned Justices of Appeal as having erred when the complaint was not raised before them for consideration"

We therefore find that matters which were not brought to the attention of the court during trial cannot be raised as grounds of appeal on appeal. Be that as it may, the suit was commenced on 8th July, 2004 when the appellants sought leave to bring the action. The termination of the employment was on 19th August 1998. Six years limitation for an action in contract would have expired on 19th August, 2004. Therefore the appellants would still have been in time to bring this action.

For the above reasons we find no merit in this ground.

Ground 2:

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The trial Judge erred in law and fact in entering judgment in favour of the extra 3771 respondents.

Counsel for the appellant submitted that Misc. Application No. 135 of 2004 was only for an order allowing the four applicants to sue on their own behalf and on behalf of only 1330 other respondents whose names were disclosed. That failure to seek courts leave to add the extra 3771 was fatal. Under O.1 r.8 of the Civil Procedure Rules, the additional 3771 Respondents were required to first seek permission of court authorizing and granting leave to the said four respondents to sue and or maintain the said suit on their behalf.

Counsel for the appellant submitted that the said 3771 additional respondents were not covered in the initial order sought and granted under **Misc. Cause No. 135 of 2004** authorizing the said four persons to file a suit against the appellant for their own and on behalf of the named 1330 other persons/respondents. The order therein

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was very specific and limited to the four-named respondent for themselves and on behalf of 1330 others as listed therein.

Counsel further contended that it was mandatory that before the 3771 additional respondents could be rightfully added as respondents, leave of court had to be sought first and granted to the said four persons to represent the additional number. It is only after such leave was granted that the 3771 persons could pray to be added to the initial 1330 respondents in HCCS No. 611 of 2004.

Counsel relied on Constitutional Court Petition No. 11 of 1997, 10 Dr. James Rwanyarare & Anor Vs Attorney General, on the proposition that in so far as the petitioner sought to be representative of persons other than the litigants, failure to seek the leave of court to file such a representative action was wrongful. Further, that as a result of this irregular addition of the 3771 respondents, the 15 appellant was prejudiced as no amendment was effected to the plaint, and as such neither the appellant nor court could tell whether the extra 3771 persons had the same cause of action or whether there was need to amend the statement of defence. Lastly counsel prayed that this Court finds that the trial Judge erred in law and fact in 20 finding for a total of 5105 Respondents including the additional 3371 persons who were not proper parties to the suit.

In reply, counsel for the respondents submitted that there was an application to join the additional 3771 respondents to the suit. Therefore the additional 3771 respondents were introduced to the suit with the knowledge and consent of the appellant's counsel at the time. That the appellant is estopped from raising the objection at this appeal yet it gave a no objection to the application. The record of proceedings clearly captures this moment. Leave was sought to add

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the 3771 additional respondents and as such, no injustice was occasioned to the appellant.

At the hearing during the trial, counsel for the plaintiff (now respondent) prayed to court to add the 3771 other former employees of the appellant. On page 204, volume 1 of the record, counsel said;

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"Omunyokol: I pray to add additional employees whose names are already listed in exhibit 1. They are now 5105 plaintiffs. We have also agreed to adjourn to 10/05/2005.

Batuuka: No objection to the addition of other plaintiffs and adjournment to 10/05/2005.

Court: Adjourned to the open court on 10/05/2005."

The application to add the 3771 plaintiffs/respondents was made orally in chambers on 26th April 2005. Whereas the defendant/appellant did not object to the prayer, court did not pronounce itself and the matter was adjourned. No objection was made at the trial by counsel for the defendants/appellants. The appellant was aware that the 3771 other persons sought to be added as plaintiffs were also former employees of Uganda Railways Corporation.

Mr. Omunyokol relied on Article 126(2) (e) of the Constitution which enjoins court to administer substantive justice without undue regard to technicalities. We must note that courts have held that Article 126 (2) (e) is not a magic wand in the hands of a defaulting litigant, but a person who relies on it must satisfy court that in the circumstances of the particular case, it is not desirable to pay un due regard to a relevant technicality.

Counsel for the appellant was present and did not object to addition of the 3771 former employees of the appellant. In the case of Nanjibhai Prabhudas & Co. Ltd vs Standard Bank Ltd [1968] EA 670 it was held that:

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"The court should not treat any incorrect act as a nullity with the consequence that everything founded thereon is itself a nullity, unless the incorrect act is of a most fundamental nature. Matters of procedure are not normally of a fundamental nature."

We therefore find that the appellant was not occasioned any injustice by the court's failure to make an order. The appellant had no objection to the addition of the 3771 plaintiffs. Further, the 3771 plaintiff's names were already listed in Exhibit 1 which was attached to the pleadings.

In any event, the judgment of the court could still have been used by the unnamed beneficiaries to recover their benefits from the appellant as the principle had already been set. The court could also have made consequential orders resulting from its decision directing the appellants to pay all other beneficiaries. This as a first appellate court has the same powers as a trial court under s. 11 of the Judicature Act. We could also invoke those powers and issue consequential orders and directing the appellants to pay all the beneficiaries whose names are set out in Exh. 1. Although the Judge ought to have made a specific order directing the inclusion of the other beneficiaries, failure to do so did not prejudice the appellant, and such an error is curable.

This ground accordingly fails.

25 Ground No. 3:

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The learned Judge erred in law and fact in holding that the respondents proved their case against the appellant, which they substantiated in the exhibits and oral testimony of Ekwaru (PW1).

Mr. Ahimbisibwe submitted that the respondents' exhibits were not tendered at all and that there is no record of the court allowing the

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said documents as exhibits and this offends the provisions of Order 14 Rule 1 of the Civil Procedure Rules that gives mandatory procedures on receiving exhibits. There being no proper exhibits, this Honourable Court as a 1st appellate court cannot then properly reevaluate any evidence.

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Counsel relied on **O.14 r.1 CPR.** and the case of **Makerere Properties Ltd Vs Attorney General CACA No. 36 of 1996**, where the trial Judge in her judgement, relied on a photocopied document which appeared on the record of appeal but was not marked as an exhibit and the High Court record did not show how it came to be on record. The Court of Appeal observed that the document had no exhibit number and there was no indication on the record how it was tendered or received in evidence. It was held that the document was never properly admitted in evidence and has no evidential value at all.

Counsel finally submitted that the respondents' documents were not tendered and admitted in court and therefore, there were no exhibits that PW1 Mr. Ekwaru could rely on to substantiate the respondents case as found by the trial Judge. He prayed that this court be pleased to find that no exhibits for the respondents were admitted and declare the proceedings before the lower court a mistrial.

In reply, counsel for the respondents submitted that the learned trial Judge did not err in law and fact when he held that the respondent proved their case against the appellant. The respondents counsel prayed to tender in documents when the hearing commenced and during the trial the Judge directed parties to file a list of their exhibits together with their copies. This being a representative suit, exhibits from the other file were directed to be filed on Civil Suit No. 611 of 2004 which included all the 5105 plaintiffs/respondents. This was under order 7 rule 14 of the Civil Procedure Rules which provides that;

- "14. Production of document on which plaintiff sues and listing of other documents on which plaintiff relies.
- (1) Where a plaintiff sues upon a document in his or her possession or power, he or she shall produce it in court when the plaint is presented, and shall at the same time deliver the document or a copy of it to be filed with the plaint.
- (2) Where a plaintiff relies on any other documents (whether in his or her possession or power or not) as evidence in support of his or her claim, he or she shall enter the documents in a list to be added or annexed to the plaint."

In the evidence of PW1, Ekwaru David, the listed documents were presented within his testimony from page 206 to 214 of the record. PW1 was examined and cross examined on the same exhibits. An extra 2 documents were also tendered in court and marked exhibit 112 and 113 and the appellants' counsel did not object to the said documents. We therefore find that the exhibits were clearly marked and properly tendered into court.

Having looked at the record of appeal and heard the submissions of both counsel, it is clear from the evidence during the trial that the documents relied on were properly tendered into court and marked as exhibits. The court therefore properly relied on them, to make the findings that it did.

Ground 3 also fails.

Grounds 4 and 5

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Whether the trial Judge erred in finding that the respondents were entitled to have their claims and pensions calculated under the Pensions Act.

Counsel for the appellant submitted that for any person to be entitled to pension as calculated under the Pensions Act, such a person must be a public officer in the public service of Uganda as defined by the



Public Service Act and Article 175 of the Constitution. That the respondents being employees of Uganda Railways Corporation were not public servants as provided under the **Public Service Act**. Their claim and pension could only be calculated and paid under the provisions of the **Uganda Railways Corporation Staff Rules of 1994** and the **1970 Pension Regulation of URC**. The trial Judge erroneously disregarded the provisions of the Uganda Railways Corporation Act and the above Pension Rules.

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In the alternative, if the respondents' claims and pension entitlement are to be paid as provided under the Pensions Act, then this claim is against the wrong party (Uganda Railways Corporation). It should be directed against the Attorney General since payment of pension under the Pension's Act is from the Consolidated Fund, and that is the mandate of Government, Ministry of Finance and Bank of Uganda.

In reply, counsel for the respondents submitted that the respondent's claims are well founded in the Pension Law and the Constitution of Uganda and that the respondents are entitled to pension calculated in accordance with the Pensions Act. In addition, counsel stated that there was no provision in the Constitution that expressly or impliedly takes away the respondent's right to pension.

Counsel further submitted that the Pension's Act is applicable to the respondents and in addition, the standing orders of the public service of the Government of Uganda recognize services with Uganda Railways Corporation as qualifying service for purposes of pension or gratuity under the Pensions Act. As former employees of the corporation, the respondents were by virtue of S.93 of the Act, entitled to hold positions equivalent to those held by them and on terms and conditions not less favorable than those applicable to them immediately before the commencement of the Act. In case of the respondents who were entitled to pension by virtue of S.I (J) of the Pensions Act, their terms and conditions should not be less favorable

than those applicable to them immediately before the coming into force of the constitution.

The appellant argues that the respondents are not entitled to pension because they were not public servants in the government of Uganda under Article 175 of the constitution.

Article 175 of the Constitution provides;

"175. Interpretation.

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In this Chapter, unless the context otherwise requires—

- (a) "public officer" means any person holding or acting in an office in the public service;
- (b) "public service" means service in any civil capacity of the Government the emoluments for which are payable directly from the Consolidated Fund or directly out of monies provided by Parliament."
- The definition of a public officer and Public service in the constitution 15 is adopted by the public service Act in sections 1(f) and (g). The appellant's argument is that there was no evidence adduced by the respondents to show that they are public servants in a civil capacity of the government. Section 1 (j) (ii) of the Pension Act defines public service to mean; service under the East Africa High Commission, the 20 East African Railways and Harbours Administration or the East African Posts and Telecommunications Administration or under the East African Common Services Organisation, the East African Community, the East African Railways Corporation, the East African Harbours 25 Corporation or the East African Posts and Telecommunications Corporation.

However, this definition in the Pensions Act was before the coming into force of the 1995 Constitution. The definitions in the Pensions Act which existed before the coming into force of the 1995 constitution were thus subject to be construed with such

modifications, adaptations and qualifications and exceptions as may be necessary to bring it into conformity with the 1995 constitution which is the supreme law. In the alternative, the respondents had to adduce evidence to show that the corporation was being sustained on funding directly from the consolidated fund or monies directly provided by parliament in running its activities and payment of salaries for its staff to fall under public service. Such evidence was not adduced by the respondents. In addition, section 25 of the Uganda Railways Corporations Act clearly spells out the avenues of its funding and it states that the funding was from grants from government, loans, interest on savings made by the Corporation, proceeds from its operations and other monies from other sources approved by the minister.

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Uganda Railways Corporation is a creature of statute and it is mandated to employ or engage employees on such terms and conditions as the board may determine. Under section 46 (1) (a) of the Uganda Railways Corporation Act, the board is empowered to make rules relating to the terms and conditions of service of its employees which includes rules relating to the grant of pensions, gratuities and other retirement benefits to employees and the dependants of deceased employees. The Uganda Railways Corporation Board in its mandate issued the URC Staff Rules of 1994 and adopted the 1970 Pension Regulations of the former East African Railways Corporation at the time the respondents were employees of the Corporation.

For pension to be payable under the Pensions Act, the beneficiary must be a public servant within the meaning of Article 175 of the Constitution. Thus, the respondent's pension and gratuities ought to have been calculated and paid under the 1970 Pensions Regulations which were adopted by the Uganda Railways Corporation Board. The basis upon which pension was to be paid to the respondents was clear and this was in accordance with the provisions of the 1970

Pension Regulations and the Uganda Railways Corporations Staff Rules of 1994.

The respondents argued that the Nalukolongo staff were entitled to bonus as a result of the salary increase which was effective 1st June 1992. There is no evidence to show that the appellant's board declared any bonus payment to the Nalukolongo group. A bonus is not a right but can only be granted at the discretion of the Board and in this case, there was no such board resolution to grant the said respondents any bonus. In addition, DW1 testified that the respondents received their cheques at the same time they got their retrenchment letters. The learned trial Judge made hanging awards not supported by evidence when he held that the respondents are entitled to refund or payment of house rent, refund of wrongfully deducted taxes and advances and such other dues claimed and payable. These orders cannot be left to stand because they were not preceded by any analysis or evaluation of evidence by the Judge. We set aside those orders and orders for refund or payment of house rent and bonus arears for nalukolongo staff for the reasons given above.

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Ground 6 is in relation to the interest that was awarded by the trial court. It is well settled that the award of interest is in the discretion of the Court. The determination of the rate of interest is also in the discretion of the Court. The discretion referred to must be exercised judiciously. The basis of an award of interest traditionally is that the defendant has kept the plaintiff out of his money, and the defendant has had the use of it himself so he ought to compensate the plaintiff accordingly (see **Harbutt's Placticine Ltd v. Wayne Tank and Pump Co Ltd [1970] QB 447**). In determining a just and reasonable rate of interest, courts take into account the ever rising inflation and depreciation of the currency. A plaintiff is entitled to such rate of interest that takes into account the prevailing economic value of money and depreciation of the currency in the event that the money awarded is not promptly paid when it falls due. The trial court passed its judgment in 2006 and awarded interest at 17% from the date of

filing the suit till payment in full. We find no reason to interfere with the award of interest at the rate of 17% from the date of filing till payment in full. This ground of appeal fails.

In the final result, grounds 1, 2, 3, and 6 will fail. Grounds 4 and 5 will succeed. The judgment and orders of the trial court are set aside and substituted with the judgment and orders of this court that:

- 1. The respondents are entitled to pension calculated under the 1970 pension Regulations which were adopted by the Uganda Railways corporation Board and the Uganda Railways corporation Rules 1994.
- 2. The respondents are not entitled to;
 - i) A refund or payment of house rent,
 - ii) Bonus arrears for Nalukolongo staff,
 - iii) Refund of taxes or advances,
 - iv) Such other dues claimed and payable; which were not proved.
- 3. The appellant shall pay the respondents general damages of 500000= (five hundred thousand shs.) each.
- 1. The respondents are awarded interest on the sums payable at the rate of 17% p. a from the date of filing the suit till payment in full.
 - 5. The appellant shall pay the respondent2/3 (two thirds) costs of this appeal.

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Hon. Mr. Justice Alfonse Owiny Dollo, DCJ

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Hon Mr. Justice Kenneth Kakuru, JA

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Hon Mr. Justice Stephen Musota, JA