

38179/

C0533/472

38179

KENYA

K. U. R. Depreciation.

Renewals.

Previous

1935

Sir J. Campbell 22/10

Sir C. Bottomley 24/10

R. 297 6/11

J. Maffey 4/12

R. 297 4/12

Subsequent

1937

R. 80 7/12

~~R. 297~~

Room 48

297 11/10/36

Mr. Goswami 7/8

Mr. Flood 14/9

Sir J. Campbell 15/10/36

Mr. Flood 21/9

Sir J. Maffey 22/9

Mr. Flood =

297 12/10

Room 309 13/10

Mr. Flood 13

Sir C. Bottomley 13

R. 309 13

R. 297 21/10

R. 309

1. H.C. Transport 446 12.6.36 2
 No. 2 copies of Report of a Departmental Committee appointed to review the questions connected with contributions to the Renewals Fund & promises further communication when the views of the Rly. Advisory Cmt are received

2. H. Commr. Tpt. 58. ----- 18.7.36.

Spares to Library. Ref. No. 1; transmits further copies of the Report and extract from the minutes of the Railway Advisory Council Meeting at which it was considered; requests decision on the proposals made by the General Manager.

The first thing the Departmental Committee did was to arrange for a complete investigation into the replacement value of all wasting assets of the Administration, and to consider the life of each asset. This in itself is a job well done.

Hitherto the assessment ^{of the contribution to renewals} has been based on the original cost of the wasting assets. A comparison is given in the tables on pages 21 and 23 of the report, of the Renewals Fund contribution assessed on original cost and replacement value. In point of fact the two assessments show little difference, but clearly the replacement cost is the more suitable figure to work on. This covers the first and second of the Committee's recommendations on page 28 of the report.

The Committee recommended that the lives and costs should be examined and reassessed where necessary every five years (see recommendation No. 11, page 29).

Recommendation No. 18 is the most important, i.e. that steps be now taken to remove from the Railways and Harbours Renewals Funds such sums as are definitely in excess of requirements for the purpose for which they are collected in the funds. As regards the Railways Fund, diagram No. 1 at the back of the report shows that on the basis of full life contributions on replacement costs there will at all times be a surplus over ^{Requirements} replacements and that the surplus is increasing -

e.g. 1935	surplus roughly	£1,600,000
1940	" "	£1,600,000
1945	" "	£2,400,000
1950	" "	£3,700,000
1955	" "	£3,500,000
1960	" "	£2,100,000.

Prima facie the retention of such large balances under the head of Renewals is unjustifiable, and the fact that it is possible to achieve such sums is an argument in itself for a reduction of the contribution. But so far as the Treasury think only in terms of the repayment of the Uganda £5,300,000 Railway Loan they will not be impressed by the arguments in the report.

The High Commissioner proposes to address the 19 States separately on the Committee's nineteen recommendations. It is for consideration however, whether or not we should try to induce the Treasury to agree to a 2% contribution to renewals ~~in~~ of 1937.

Ch. P. ...
27. 8. 36

3. H. Commr. Transport No. 61. ----- 25.7.36.
Ref. Nos. 1 and 2; submits comments on the 19 recommendations made in the Report of the Renewals Fund Committee, and requests approval for proposals made.

Sir G. Rhodes is excessively pertinacious on the subject of his Renewals Fund. Since this despatch came in I have had the advantage of some informal talks with General Hammond, who is the high priest of the ^{opposite} ~~opposite~~ creed. He knows all about Sir G. Rhodes's proposals and his comment is summed up in the words "don't let

him

him do it".

The Departmental Committee on the Contribution to Renewals Funds has certainly produced a valuable piece of work, and their 19 recommendations are set out on pages 28, 29 and 30 of the print. From No. 3 it will be seen that the High Commissioner proposes to adopt them, but reserves consideration with regard to the three dealing with the rate of contribution. It is perhaps expedient to get the others out of the way first. No. 1 is that the basis of contribution should be calculated on replacement costs ^{not on original price} ~~not present~~. In the Committee's report it was pointed out that in the case of some of the assets it was very hard to find out the original cost, while in others, as in the case of those before the War, the original prices bear no relation to present prices, and that withdrawals from the Fund are naturally on the basis of replacement. Accordingly they recommend that replacement costs should be taken as the basis. This, I think, can be accepted, with its corollary that the lives and valuations as devised by the Committee should be adopted, and should be reassessed, if necessary, every five years, or more often if there is another upheaval. This covers recommendations 1, 2, and 11.

The proposal here has the merit of being logical and showing common sense. It is ^{simple} ~~probably~~ contrary to ^{accounting} ~~sound~~ practice. However, I have no hesitation in advising that it should be followed, and indeed, the High Commissioner has authorised its being put into effect.

Recommendation No. 3 takes the minimum value of assets to be covered by the Renewals Fund down to

£100

70. This is also a good idea a 10% margin may be sufficient by 1937.
12/7/36

£100 instead of the present lower limit of £250 in the case of workshop machinery and some other things. The reason for that is that they have found that the Fund was not being used to replace worn-out machines if their cost was below £250, ^{and such machines do not} ~~even though they had been~~ contributing to the Renewals Fund a proportion of their value. The recommendation seems inobjectionable.

They want to drop the separate Marine and Motor Renewals Funds and simply have two, Railways and Harbours. Having regard to the comparatively small amounts shown in the Motor and Marine, I think there is no reason why this should not be accepted. Allowance must, of course, be made for the short life of motor vehicles.

The Marine Insurance Fund, which did exist, but which has now been exhausted, as shown in paragraph 23, is not to be restarted. This seems sensible enough. The only thing against it is that if a steamer meets with a sudden catastrophe, it has to be written off as a total loss and a new one purchased, even if the steamer has only just started its career. In the case of a service just beginning, or a small service, it would clearly be necessary to have something like an Insurance Fund, but the K.U.R. is now so big and its funds so large that it can afford to do without it.

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The recommendation as regards assets becoming obsolete is rather curious. It is thought that the life ^{of the} ~~may~~ be based on the 'normal period for which the asset can render useful service, even though it is not worn out at the end of that period. The idea is that at the end of its normal life it may be able to do something, but will not be able to do the work for which it was intended. There would be no point in renewing it until it is actually worn out, but contributions to the Renewals Fund will cease at the end of the normal life. That, I think, is the effect of it, but ~~it is~~ not quite clear. However, recommendation B says that premature renewal can only be allowed if the thing is definitely worn out, not simply because it is getting old, so that seems ^{to be the effect} ~~obscure~~.

The other recommendations deal with internal matters of examining the wasting assets and setting up committees and so forth, and, as the High Commissioner says, can be accepted.

The crux of the matter now comes up in the shape of the rate of renewals. The General Manager's memorandum of the 6th of June, which was sent to the Railway Advisory Council, was prepared after the receipt of the Secretary of State's despatch of the 27th of April, in which he informed the High Commissioner that the contribution to the Renewals Fund might continue at 2½ per cent until the whole position is fully examined in 1938. It is somewhat odd that Sir G. Rhodes doesn't mention that decision in the memorandum. The memorandum came before the Railway Advisory Council which, on financial grounds, was prepared to endorse the 2 per cent recommendation, but thought

thought that no useful purpose would be served by pressing the matter at the present time in view of the attitude of the Treasury. The High Commissioner says that the investigations which have been carried out demonstrate beyond dispute that, on the merits of the case, there would be no occasion ^{for} hesitation in approving the proposal to transfer the existing surplus in the Renewals Fund to General Reserve, and to reduce the annual contribution to 2 per cent. The High Commissioner leaves it to us to decide whether it is worth while going for the Treasury again in the light of the new presentation of the case. This, of course, is the only thing that they can do, because they are not able to judge ^(in Kenya) how far we can have any hope of getting the Treasury to reconsider their attitude. As to this, I have the gravest doubts. The Treasury said quite definitely, in their letter of the 18th of ~~1934~~, that contribution on a full life basis (3.11 per cent) is amply justified, but in view of the Secretary of State's strong opinion that the 2 1/2 per cent should be allowed to continue, at any rate till 1938, they were willing to acquiesce and to allow a Reserve Fund to be set up with the balance which was available. This is about as definite as anything can be, and in view of it, I think our prospects of getting the Treasury to agree to 2 per cent can only be described as sketchy. They are ^{hardly} bound to say "We have agreed to leave it till 1938, when we are going to review the whole thing, and

and left till 1938 it will be; and if you insist on its being brought up again now, we will insist on 3.11 and see how you like it".

The diagrams enclosed in the report are, on the whole, easy to follow and show the case fairly clearly. No.1, which is worked out for 500 years, which seems long enough, shows that at all times during that period, with contributions at the full rate, there would be a ^{large} balance in the Fund, the balance never going below ^{£1,000,000} ~~nil~~. In the year 2082 the balance is expected to be £1,100,000, and that is the lowest it will ever touch during the whole currency of the diagram. Diagram No.2, which covers the period 1935 to 2085, is the same thing, only larger and shows that there will always be a margin in hand, even if the Renewals Fund were regarded as having a surplus of £1,000,000. Diagram No.3 is again 1934 to 2085 and works out what the position would be if contributions were reduced by 30 per cent between 1935 and 1947 (this rate would amount to about 2 per cent) the deficiency being made up by contribution of 5 per cent extra for 50 years. This shows that on that basis there will always be £654,130 in hand, even ⁱⁿ the crucial year 2080. Accordingly the proposal is to regard the said £654,130 as available, and transfer it from the Renewals Fund to the General Reserve. This would bring the Reserve up to the ^{exact} figure of £1,000,000, at which Sir G. Rhodes has been aiming. He would then propose to embark upon a programme of rates reduction. His policy in this regard is set out in paragraph 174, pages 48 - 69 of the last Annual Report, and shows that what he wants to do is to revise the whole railway

*This financial
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*The circumstances
is somewhat odd!
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No. 38179/16

railway tariff and get a more scientific one which might enable rates to be generally reduced on the more important commodities. In order to be able to do this, he wants to have a reserve of at least £1,000,000 as was agreed by everybody in 1933 (paragraph 178 of Report, page 73). They have now got in the Reserve Fund £345,370, so it is easy to see why they estimate that there is £654,130 available in the Renewals Fund, even on lowered contributions, because if the two are added together they will reach the magic million.

As I have said above, I don't think there is the slightest use in expecting the Treasury to agree to the 2 per cent till 1946, but I suppose we shall have to go through the motions of trying. In point of fact, I am very strongly inclined to sympathise with Sir G. Rhodes in this matter, because it is ~~to~~ to pile up a Renewals Fund which is, at any given moment, £1,000,000 in excess of anything that can be foreseen as likely to be required. However, the purists are against it and the figures for Renewals quoted by the Railway Research Association certainly bear out the contention that 2 per cent (or even 3 per cent) is on the low side. However, it must be remembered that those figures are dealing with commercially-owned railways with a share capital and dividends to pay. What General Hammond said to me the other day was that the contributions to

Renewals

Renewals ought to be such that the stock-holder who pays his money into the railway can always see in the railway the equivalent of his money. For instance, you buy an engine costing £10,000 and its proper Renewals contribution is £500 a year. Now, the gentleman who has subscribed the £10,000 can see the engine and, although at the end of two years it is only worth £9,000, yet there is £1,000 against it in the Renewals Fund, so that the thing is always maintained at 100 per cent of capital.

Now this is all very well, but it overlooks the fact that the K.U.R. has not got shareholders and a share capital. It also overlooks the fact that the capital of the Railway is being amortized and sooner or later all the capital will be paid off and the Railway will be left with complete assets, a huge Renewals Fund and no liabilities. By that time it will, in point of fact, from the money point of view, be not one railway but two, and therefore I am not at all sure that it is quite so necessary to stock up Renewals as if it were the Baltimore and Ohio, or the L. & N.E.R. The distinction between the commercial railway and the Government one is that a commercial railway's capital is never paid off (unless debentures) but the Government one will be. The theory of running Government railways as commercial concerns can be carried to excess and I am not sure that it has not been. It used to be urged upon us for many reasons, one most powerful factor being the desire of the general managers to be able to dismiss their staff without vexatious requirements, such as enquiry and investigation. Then another factor was the desire to see whether railways paid or not, and whether, as the community always contend, rates were far

far too high. In order to meet the ^{accusation} ~~charge~~ of rates being too high, it used to be pointed out that there ought to be provision for interest, sinking funds, renewals, betterment, and so on, and that by the time all these requirements had been ^{met} ~~made~~, there would not be ^{much} ~~anything~~ left over, and therefore rates could not be reduced.

Well, there it is, and the policy has been settled, but the question is rapidly arising what is to happen when the K.U.R. gets an enormous surplus, even with reduced rates, as it may well do? Is it to hand out the surplus to those who send goods on it, or is it to make a present of the surplus to the Governments or the Territories which it serves who can well do with it? As it is, any such surplus would be the property of "the Railway" and what the Railway is to do with it Heaven only knows.

As regards action, I think we can agree with the various recommendations which are endorsed by the High Commissioner, and say that as regards the Renewals contribution, the Treasury have recently given their consent to 2½ per cent up to 1938, when the whole Railway finance is being reviewed, that, as Mr. Thomas said in his despatch, this represents a real concession on the part of the Treasury, and is as much as can reasonably be expected, so that the Secretary of State feels very doubtful whether their Lordships will agree to review the decision which they reached as recently as last April, but he will approach them and lay before them the report of the Committee and

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the recommendations.

And do so, saying that the Secretary of State is reluctant to raise the matter so soon in view of their Lordships' recent decision on the subject, but considers that the arguments deduced by Sir G. Rhodes are worthy of serious consideration, and supporting the proposal that, if possible, in view of the very favourable financial position disclosed, their Lordships will agree to reducing the rate to 2 per cent for the next 10 years with the definite understanding that the deficit will be made up by increased contributions, as proposed, for the next 50 years.

A. W. Howard

15.9.1936

So far as we here are concerned, the G. M. goes on hammering, pertinaciously and annoyingly, at an open door. I admire--enormously--his administrative ability: I have but a poor opinion of his tact.

2. This report, and the connected papers, hardly vary the fundamental facts on which the thing has already been discussed and considered, repeatedly. We here were all willing to give him his 2½--I think rightly willing. We did our best, officially and unofficially; and we failed, always. Is there any hope that we can succeed now? I think not, clearly. We have really no point d'appui for a fresh attack on the Treasury: broadly, all important matters stand as they were.

3. The decision whether we should again put the

letter to the Treasury, officially, must be decided by quite general considerations. One sees the immediate advantages--vis-à-vis Kenya; one appreciates also that the Treasury will be annoyed. I don't mind which way the decision goes; but--"if I were dictator"--I would not refer the matter to them at this stage. There is a possible compromise which I'd, on the whole, prefer. We might tell Mr. Bridges (or whoever it is now) that we had received this request; we could send a copy of the papers; and add that, while we here felt that on the whole (as the fundamental position had not changed in any material way) it did not seem that any official reference was likely to be successful, we were unwilling to lose any possible chance of meeting Kenya's desires in the matter, and recognised that an official refusal to consult the Treasury would be badly received there. Would he have a look at the thing, therefore, and let us know whether in his view any useful purpose would be likely to be served by an official reference.

4. As to the merits, we have always pressed for the 2%. The "life" basis is such that--without working out diagrams for five hundred years--it is quite obvious that ^{the} basis will always give a balance in the fund which is larger than the sum required for renewals at any given point of time. That ~~point~~ ^{adjustment} ~~can~~ ^{would} be met if the "annuity" basis is adopted.

If x is the sum required for any particular life, after y years, the annuity payable (at some reasonable and assumed rate of interest) for y years can easily be worked out, to provide x at the ~~end~~ end of that period. The summation of the annuities for each life would then give the

amounts required for the renewals, as an annual payment to the renewals fund. But the G.M. has not suggested that; and the method presents some difficulties in actual practice. The interest rate, which is fundamental, is one; the administrative mechanics of the thing is another.

General practice favours the "life" basis--and I am always inclined to think that general practice, over a very wide field, is something which we should not lightly disregard.

5. The "double amortisation" argument remains.

My view is that we must, as a matter of sheer necessity, provide adequately for renewals, because otherwise the physical efficiency of the lines as a means of transport will inevitably deteriorate. That seems quite obvious.

The question of the amortisation of the original capital is quite another matter. We all agree that, under the present system, a Government line which has to provide sinking funds on the capital raised is seriously handicapped as compared with the ordinary railway--e.g. in the U.K. and in the U.S.A., etc. This seems to me a question between the Govt. and the railway. Somebody must comply with the prospectus conditions, nor can the Govt. normally take the risk of being forced to raise large sums, at a predetermined time, irrespective of the then state of the money market. In Kenya--our problem here--the s.f. payments must be made. The Govt. can't make them. Therefore, the railway must. And, at present, it can make them.

6. I agree as to the minor points. All the recommendations seem reasonable; and it does not appear to me that the Treasury are likely to take exception to any of them. In writing to Bridges--

if we adopt that course--I'd say that we proposed to accept them, and did not contemplate an official reference to the Treasury, as regards them. If an official reference is to be made, I'd send the whole thing, and would say that we assumed that their L's would have no objection to the acceptance of all the recommendations--except the specified exceptions. Then we'd refer to previous communications as regards the renewals rate, and would stress the argument that, in present conditions in Kenya, the S/S attached the greatest importance, in the interests of the general economy of the country and its progress, to the reduction of rates ~~which is essential to the stability of the Kenya-Uganda Railway and to the formulation of a more scientific rating policy, which acceptance of the renewal rate suggested, and the transfer to general reserve, would render possible. That last argument is I think the only one to which the Treasury will, in present circumstances, pay much attention.~~

The 18th: September, 1936. *18/9/36*

Sir J. Maffey.

You have not so far been bothered with this squabble. Very briefly, the trouble is this. The Kenya-Uganda Railway (and Harbour) has to put by money for a Renewals Fund. The rate of contribution was ^{carefully} worked out ~~carefully~~ and found to be 3.11% of the value of the wasting assets. The Railway has never been able to contribute at this full rate and the

Treasury

Treasury agreed some time ago that in the then state of its finances 2 1/2% would do. Over this sum proved to be beyond the resources of the railway for some years so they ran what they called a "deficit-account" in which they showed as a deficit the amount which would be required to bring up the contribution to 2 1/2%. In 1934 things prospered so much with them that they were able to write the deficit clean off and by the beginning of 1935 they had a small surplus. As a result of the 1935 year's working they have provided for renewals at 2 1/2% and have got the surplus up to £45,870.

Sir Godfrey Rhodes has for years been contending that a contribution of 2.5% would do and says that if he could be allowed to provide only for 2 1/2% and make it retrospective he could then take 2600,000 odd out of the renewals and place it to general reserve. This, with the amount already in it would make £1,000,000 and he argues that with that sum in reserve it will be possible for the K.U.R. to go in for systematic rate revision and construct a much more satisfactory system of rates than the one now in force. We have been corresponding with the Treasury for ages and in 1934-35 it got the length of semi-official correspondence between our Secretary of State and the Chancellor of the Exchequer. The most the Treasury were prepared to agree to was that renewals should be on the full life basis of 3.11% less half the Sinking Fund charges on the loans. This was not in the least acceptable and we did nothing about it. The whole K.U.R. finances have to come up for review

with

with the Treasury in 1938 and at the beginning of this year the Treasury agreed that the 3% rate might be continued at any rate until the 1938 discussion. (No.7 on 38179/16/35). I thought at the time, and I still think, that that was as much as we should ever get out of the Treasury and that we ought to be thankful to them for sinking their principles, seeing that the K.U.R. was doing so well that it could easily pay the 3% rate. However, Sir G. Rhodes simply says "Thank you for very little" and returns to the charge.

I feel myself that it would be a bad mistake to go to the Treasury officially about it and if you agree I would write to Mr. Bridges as per draft herewith on the lines that Sir John Campbell suggests.

J. S. G. Hand

21.9.36.

In the afternoon

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4

5. High Commr. Transport tel.No.13.----- 12.10.36. Ref.No.3; in connexion with the preparation with the draft Estimates for 1937, requests telegraphic notification whether proposals are approved.

To the draft estimates are to be considered on the 21st Oct. There is no time to get out a reply by this date.

? Reply by Tel that the Dept approves the recommendations of the Renewals Fund Committee as summarized on pages 28 to 30 of their report except recommendations Nos. 12, 16 and 18. And that the accounts relating to the Renewals Fund Contribution are the subject of Comm with the Treasury but that the Dept does not anticipate that the decision conveyed in No 9 on 38179/16/35 will be varied.

C. J. Prosser 12.10.36.

Sir C. Bottomley

We can do this: the three points mentioned are the only ones where there is room for argument. You were away when 2 & 3 were under exam.

J. S. G. Hand 12.10

W. S. 13.10.36

at.ice

6 To Hb. tel 7 -

14.10.36

7. Bridges (Treasury),----- s/o ----- 21.10.36.
4 and; thinks that no useful purpose would be served
by endeavouring to get the 2% rate adopted.

I thought this would happen -
indeed, it was the only thing one could expect.
I do not regard the Treasury as being in the
least degree unreasonable or obstinate. With
much difficulty we got them to agree, against
their own expressed principles, to the fiat
rate of $2\frac{1}{2}\%$ for renewals up to 1938 and
Sir Godfrey Rhodes and the administration of
the K.M.R. may just make up their minds to it.
No doubt Sir Godfrey will return to the charge
with some graphs worked out for a thousand
years or even a few geological periods but
it won't make any difference, and to start
attacking the Treasury any more would
inevitably lead to their reopening the
question with a demand for us to force the
Railway to contribute the full rate of 3.11% -
which they can now afford to do - or at the
very utmost to compromise on the 3.11% less
half sinking fund which again would cost more
than the $2\frac{1}{2}\%$. Draft herewith.

J. S. G. Flood

28.10.36.

*Amplified
29/10/36*

*We expected it & the Govt. C.
was prepared for it. I have
passed this Dept, but Sir J. Mackay
should see later. W.C.D. 29.10.36*

9/11

To H. G. Tapt. 107 (2 + 3 uncond)

- 4 NOV 1935

Meffey

107

Ans'd. (1) on 1937 file

C. O.

Mr. Flood. 28 10.36.

38179/5/36. Kenya.

Mr.

X Sir J. Campbell

Sir C. Parkinson.

Sir G. Tomlinson.

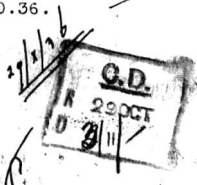
X Sir C. Bottomley. 29.10

Sir J. Shackburgh.

Permt. U.S. of S.

Partly. U.S. of S.

Secretary of State.



Downing Street.

~~October, 1936.~~

4 NOV 1936

Sir,

I have the honour to

DRAFT.

TRANSPORT
KENYA-UGANDA.

NO. 107

HIGH COMMISSIONER.

(2+3)

acknowledge the receipt of your despatches No. 58 of the 18th of July and No. 61 of the 25th of July in which you forwarded and commented upon the report and recommendations of the Renewals Fund Committee. In my telegram No. 7 of the 14th of October I informed you that I approved all the recommendations of the Committee except those numbered 12, 16 and 18 on which I felt it necessary to reserve judgment until the views of the Lords Commissioners of the Treasury had been ascertained.

2. As you are aware it was only in the early part of this year,

and

FURTHER ACTION.

and then only with ~~any~~ misgiving and after considerable pressure, that their Lordships agreed to the maintenance of the 2 3/4% rate for renewal contributions until the time comes to examine the whole position of the Railway in 1938, and in view of that I felt ~~some doubt~~ doubts as to whether it would be advantageous to reopen the whole question so soon. As a result of demi-official communications I have ascertained that their Lordships would be most unwilling to reconsider the matter, and ^{I feel} that ~~were it~~ if it were reopened ~~at all~~, in view of the Railway's improved financial position, they would be more inclined than hitherto to insist upon renewals contributions at the full rate of 3.11%. I therefore have come to the conclusion, though with reluctance, that it is useless ^{for the moment} to press the proposal that the rate of contribution shall be reduced

to

C. O.

- Mr.
- Mr.
- Mr.
- Sir C. Parkinson.
- Sir G. Tomlinson.
- Sir C. Bottomley.
- Sir J. Shuckburgh.
- Perm. U.S. of S.
- Party U.S. of S.
- Secretary of State.

DRAFT.

FURTHER ACTION.

to 2% ~~at the present time~~, although the point will be borne in mind and will be considered when the Railway's finances are under review in 1938.

3. I agree with you as to the care which has been devoted by the Committee to the preparation of their interesting report and memorandum, and

I never etc.

I am impressed by the figures and graphic statements which show clearly that the Renewals fund will never be exhausted in the absence of some unforeseen event.

}
}

(Signed) W. ORMSBY GORE.



Telephone No.: WHITEHALL 1234.

In reply
please quote Regd. No.

S. 32902/03/8.



TREASURY CHAMBERS,
WHITEHALL, S.W.1.

21st October, 1936.

RECEIVED
7 DEC 1936
H. C. C. DEER

Dear Flood,

(4) We have now perused the documents enclosed with your letter of September 25th. (38179/5/36) with further reference to the Kenya-Uganda Railway and its Renewals Fund.

The answer to your enquiry is that we think that no useful purpose would be served by your returning to the charge with a view to getting the 8% rate adopted.

Yours sincerely,

EE Bridges

J.E.W. Flood, Esq., C.M.G.,
Colonial Office.

\$179/5736

R 297

C. D.
R 15 OCT
D

G. O.

Mr. *Erwin* ^{13/6}
 Mr. *Parkin* ^{14/6 at me}
 Mr.

- Sir C. Parkinson.
- Sir G. Tomlinson.
- Sir C. Bottomley.
- Sir J. Shuckburgh.
- Permt. U.S. of S.
- Parly. U.S. of S.
- Secretary of State.

me

Coded and sent 7/14/10

No. 7

Your telegram No 13.

DRAFT. Tel.

*High Coma
Nairobi.*

⑤

Approve the recommendations of the Renewals Fund Committee as summarized on pages 28 to 30 of their report except recommendations 12, 16, and 18. ~~The recommendations relating to the Renewals Contribution are the subject of correspondence with the Treasury. I do not anticipate that the decision conveyed to you in my predecessor's despatch No 30 will be varied.~~

on which decisions are reserved pending conclusion

on the question of Renewals contribution

FURTHER ACTION.

9
30179/16/35

Secr.

COPY FOR REGISTRATION



16
5

Telegram from the High Commissioner for Transport Kenya and Uganda Railways to the Secretary of State for the Colonies Dated 12th October, 1936. Received at 1.26 pm. 12th Oct., 1936.

No. 13 In connection with draft estimates for 1937 which are to be considered by the Railway Council on the 21st October I should be glad to learn by telegraph whether you approve recommendations in my despatch No. 61 of the 25th July. (3)

Ans 6

C. O.

Mr. Flood 22/9/36 *js*

Mr.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

Semi-official for Mr. Flood's signature.

Downing Street,

23 September, 1936.

Dear Bridges,

I am very sorry to inflict

upon you anything further about the

K.U.R. and its Renewals Fund. The

people out there, however, are not

disposed even to view with favour the

reduced rate of 2% to which the Treasury

agreed at the beginning of this year and

I enclose for your consideration the

following documents:-

(1) Despatch dated the 12th of June

enclosing copies of a printed report of

the Local Committee together with a

memorandum prepared by the General

Manager for submission to the Railway

Advisory Council.

(2) A further despatch dated 18th

of July, with a copy of the Council's

recommendation on the Renewals point.

(You

DRAFT

E.E. BRIDGES, ESQ., M.C.

(TREASURY)

dup.

(1)

dup.

(2)

dup.

(3)

FURTHER ACTION.

(You will observe that the Council fully endorsed the General Manager's proposal ^{but} ~~and~~ did not think the matter could be taken further).

(3) A further despatch dated the 25th of July, making various recommendations on the Committee's report.

As regards most of the recommendations put forward by the High Commissioner the Secretary of State proposes to approve them ~~with~~ as recommended, but with regard to the rate of renewals contribution ^{should have} ~~we feel bound~~ ^{rather} to ~~approach~~ you again. In view of the

recent date of your official decision it does not seem to us likely that any official reference will alter the view expressed by Their Lordships, but at

the same time we cannot simply tell the people in Kenya from here that there is no use in approaching the Treasury. I therefore ask you to find the time

to look through these things and let me know whether you think there would be any use in returning to the ^{two per cent.} ~~represent.~~ attack with a view to getting agreement to

The position has not changed much but our latest information is that the Railway is doing even better than

C. O.

- Mr.
- Mr.
- Mr.
- Sir C. Parkinson.
- Sir G. Tomlinson.
- Sir C. Bottomley.
- Sir J. Shuckburgh.
- Perm. U.S. of S.
- Parly. U.S. of S.
- Secretary of State.

DRAFT.

than ever and there is no doubt that Rhodes and his people are working it with consummate ability. In present conditions in Kenya we are inclined to attach the greatest importance, in the interests of the general community, to the reduction of rates, where possible, on the Railway, coupled with the preparation of a more scientific tariff.

The Railway think, and we believe rightly, that they ought to have a reserve of at least £1,000,000 before they can go in for any sweeping reforms and this reserve could be attained if the 2% were adopted retrospectively and another £500,000 transferred to general reserve.

FURTHER ACTION.

Yours sincerely,
(Signed) J. E. W. FLOOD



23/19

TRANSPORT.

OFFICE OF THE HIGH COMMISSIONER FOR TRANSPORT,
GOVERNMENT HOUSE,

KENYA - UGANDA.

NAIROBI,
KENYA.

No. 61

RECEIVED
28 AUG 1936
C. O. REGD

23/19 July, 1936.

Sir,

(1) (2) With reference to my despatches Transport Nos. 46 and 58 of the 12th June, and 18th July, I have the honour to offer the following comments on the 19 recommendations of the Renewals Fund Committee, which are summarised on pages 28 to 30 of their report : -

- No.1. As stated in paragraphs 73 and 74, the proposal to contribute on replacement values is consistent with the actual practice in withdrawing from the Fund the actual replacement cost.
2. The revised rates proposed have been arrived at in the light of the Administration's extended experience since the issue of the last Report; they represent the economic lives under conditions as they now obtain in these territories, taking into account normal obsolescence, and I consider this experience should be the basis of future practice, subject to the review contemplated in 11.
3. There are a number of individual assets, valued between £100 and £250 which at present are not included in the list of contributing assets and which therefore have to be re-placed from current revenue. For the reasons explained in the Report, it is desirable to reduce the limit of £250 to £100, so as to extend the scope of the Fund in certain directions.

copy (w/o. each) to Treasury (4) (5/10)
Amended (8)

THE RIGHT HONOURABLE;

W. G. A. CROMBIE-GORE, P.C., M.P.

SECRETARY OF STATE FOR THE COLONIES

As these three recommendations raise no contentious issue and in order not to interrupt the continuity of the records, I have authorised the General Manager to issue instructions to carry them into effect, in anticipation of your sanction.

4. The normal division of the Administration's account is : (A) Railways, and (B) Harbours and the Renewals accounts should follow this practice.
 5. There is no longer any reason why an exception should be made in the case of Marine assets to cover them by an Insurance Fund.
 6. The principle of allowing for normal obsolescence in the lives proposed for adoption is entirely sound.
 7. This follows one of the Committee's guiding principles that the Fund can be used only for replacements which have been provided for in the contributions .
 8. The replacement from the Fund of assets prematurely worn out follows present practice.
 - 9, 10, 13, 14, 15 and 17 deal with domestic matters, upon which suitable departmental instructions are being issued.
 11. This recommendation should follow from the adoption of recommendations 1 and 2.
 19. The revised instructions will, in due course, be submitted for approval.
3. I shall be glad to receive your approval of all the foregoing recommendations with which the General Manager is in full accord.
4. As regards the remaining recommendations, namely Nos. 12, 16 and 18, you may wish to reserve these for fuller consideration in view of the relation which they

they bear to the question of adopting a 2% rate of contribution to the Fund in respect of the Railway assets, which was discussed in my despatch Transport No.58 of 18th July.

5. I attach, for your information, a note on the new percentage figure on the full life basis.

I have the honour to be,

Sir,

Your obedient, humble servant.

H. G. ...
HIGH COMMISSIONER.

THE RIGHT HONOURABLE,

W.G.A. ORMSBY-GORE, P.C.M.P.

SECRETARY OF STATE FOR THE COLONIES.

DOWNING STREET,

LONDON, S.W.1.

NOTE ON THE NEW PERCENTAGE FIGURE ON THE FULL LIFE BASIS.

The figure of 3.11% quoted as the old percentage basis for renewals contribution, is obtained from the table on page 23 of the 1930 renewals report and refers to Railway only, i.e. excludes Marine, Motors and Harbours. The figures are :-

Capital Value.	£11,407,266
Renewals contribution.	£ 354,766

Percentage. 3.11%

2. The table on page 21 of the 1935 Renewals Report headed "Railway" includes Railway, Marine and Motors (see Recommendation No.4 page 29 on this point). The figures on the left of Table R.1, page 21 are compiled on the same basis as the figures in the table on page 23 of the 1930 report, but take into account additions and cessations from 1930 onwards. If the Marine and Motor Service Wasting Assets are excluded from Table R.1, the Railway figure is arrived at as under :-

Totals as per Table R.1, page 21
(left hand columns).

Capital Value.		£	£
<u>Leas</u> Steamers, Tugs, Lighters etc.			13,312,133
Motor Lorries etc.	489,441		
	<u>27,627</u>		<u>517,068</u>
Railway only.			<u>£12,795,065</u>
Renewals Contribution.			397,599
<u>Leas</u> Steamers, Tugs, Lighters etc.	14,683		
Motor Lorries etc.	<u>5,525</u>		<u> </u>
			<u>£.377,391</u>
<u>Percentage.</u>			<u>2.95%</u>

3. The difference between the original figure of 3.11% and 2.95% is explained by the additions from 1930 to 1935 consisting of comparatively long lived assets, which automatically reduce the all-round percentage.



13

TRANSPORT.

KENYA -UGANDA.

No. 58

OFFICE OF THE HIGH COMMISSIONER FOR TRANSPORT,
GOVERNMENT HOUSE,
NAIROBI,
KENYA.

RECEIVED
10 AUG 1936
C. O. REGY

1/12 July, 1936.

Sir,

(1) In my despatch Transport No.46 of the 12th June I enclosed for your information copies of a Departmental Committee's Report on the amount of contribution to the Renewal Fund, and of a Memorandum prepared by the General Manager for consideration by Railway Advisory Council. I now have the honour to enclose further copies of the Report and Memorandum, together with an abstract from the minutes of the Railway Council meeting at which the question was under consideration.

2. You will, I feel sure, agree that the Departmental Committee have marshalled and analysed all the relevant data with remarkable competency, and that they have adduced adequate technical reasons in support of the 19 recommendations summarised on pages 28 - 30 of their Report. I propose to address you separately, at an early date in regard to these recommendations.

3. As regards the major issues which formed the subject of the General Manager's proposals to the Railway Council (see page 4 of his Memorandum) it will be seen from paragraphs 104 - 126 of their Report that the Departmental Committee have made no definite recommendations. Their investigations, however, demonstrate beyond dispute that if it were practicable to base a judgement on the purely technical merits of the case there would be no occasion for delay or hesitation in approving the proposals to transfer to General Reserve the existing surplus in the Renewal Fund,

THE RIGHT HONOURABLE
W.G.A. OMSBY-GORE, M.P.,
SECRETARY OF STATE FOR THE COLONIES,
DOWLING STREET, S.W.1.

and to / ...

(4)
Report under separate cover
copy (with abstract of minutes) to Treasury (S/O)
General (8)

and to reduce the annual contribution to a 2% basis until some relief from loan charges is secured.

4. I am of course aware from correspondence with your predecessors that His Majesty's Government, on the information before them, have felt it necessary to insist that contributions to the Renewal Fund should be maintained in principle, at the figure required on full life basis. But the facts recorded by the Departmental Committee appear to prove conclusively the previous contention of the General Manager that a contribution on a full life basis would provide a Fund far in excess of requirements for renewal purposes only. However, in his despatch (Transport No.30) of the 27th April, Mr. J. H. Thomas expressed the opinion that the concession agreed to by the Lords Commissioners of the Treasury in respect of the current year's estimates was a very real one, and is as much as can be expected in the present circumstances. I am content to leave it to your judgement to decide whether the occasion is opportune to invite their Lordships' concurrence in the General Manager's proposals, in the light of the fresh presentation of the case afforded by the Departmental Committee's Report, or whether it would be wiser to acquiesce in the present position until 1938, when the alleged liabilities of the Railway to the Imperial Exchequer will come under review.

5. In conclusion I would ask that if there is any possibility of the acceptance by His Majesty's Government of the General Manager's proposal to reduce the Renewal contribution to a 2% basis in respect of 1937, I may be given timely notice to that effect. It is probably that the saving in expenditure would be applied in toto to the reduction of rates in the coming year.

I have the honour to be,

Sir,

Your most obedient, humble servant;

9/10/35
9)

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL.

CONTRIBUTION TO RENEWAL FUND ON ACCOUNT OF DEPRECIATION.

The need to review the lives of assets brought to notice some serious discrepancies in the Register of Wasting Assets. It became clear that, owing to the absence in the past of suitable procedure, many assets, although retained on the books, were no longer in existence. Instructions were, therefore, issued in 1934 to all Heads of Departments to carry out a complete review of the assets in their charge.

2. It was decided to take advantage of this investigation to review the whole position of the Renewal Fund.

3. A Departmental Committee was, therefore, appointed in July, 1935, under the Chairmanship of the Chief Engineer. The Report of this Committee is now submitted to Council for consideration.

4. Members will remember that the question of the amount of the annual contribution to the Renewal Fund has been under discussion with the Secretary of State for many years.

5. Following on the Report of the 1929 Committee, a comprehensive memorandum was presented to Council for consideration at their meeting of April 28th/29th, 1930, when the following resolutions were recorded:-

"That, in the opinion of Council, based upon the Report of the Departmental Committee and the General Manager's memorandum, dated the 29th March, 1930, addressed to the High Commissioner for Transport, and subject to review ten years hence, a case has been established for the retention of the 2 per cent contribution to the Renewals Fund on account of depreciation of wasting assets, as regards the Railway, and that, as recommended by the General Manager, an adjustment should be made in the Estimates for 1930 by transferring the sum of £56,534 to the credit of the Interest Reserve Fund."

"AGREED to recommend that, in connexion with the Marine and Motor Services, the Departmental Committee's proposals be approved: Viz:

(a) Marine Service.

Life value to be calculated as thirty-three years; that no contributions be made for the next five years; and that the position be reviewed at the end of that period of time;

and

(b) Motor Services.

Life value to be calculated at five years and that contributions be made to the Fund on a 20 per cent per annum basis."

6. Accordingly, a despatch, dated 22nd May, 1930, dealing with the whole question and recommending a 2 per cent contribution until 1945 was forwarded by the High Commissioner to the Secretary of State.

7. Following on further correspondence and discussions, another memorandum, dated 24th March, 1931, in reply to the points raised and addressed to the High Commissioner, was considered by Council at their meeting of 8th April, 1931, when the following resolution was recorded:-

- "(a) Council noted from the correspondence placed before it that the Secretary of State proposes to issue instructions that the contribution to Renewals Fund shall be at the rate of 2½ per cent, with the possibility of increase to 3 per cent at a later date, while at the same time the Reserve Account is to be increased to £600,000.
- (b) Council desires to re-affirm its resolution (4) embodied in Minute No. 520 of the meeting of Council held on 28th/29th April, 1930, which reads as follows:-

"That in the opinion of Council, based upon the Report of the Departmental Committee and the General Manager's memorandum, dated the 29th March, 1930, addressed to the High Commissioner for Transport, and subject to review ten years hence, a case has been established for the retention of the 2 per cent contribution to the Renewals Fund on account of depreciation of wasting assets, as regards the Railway, and that, as recommended by the General Manager, an adjustment should be made in the Estimates for 1930, by transferring the sum of £56,594 to the credit of the Interest Reserve Fund'.

- (c) Council hopes that the High Commissioner will consent to address further representations to the Secretary of State in this matter and that His Excellency will transmit to the Secretary of State the memorandum prepared by the General Manager replying in detail to the arguments advanced by General Hammond."

8. This memorandum was in due course forwarded to the Secretary of State under cover of a despatch, dated 11th May, 1931.

9. This question has also been before Council on several subsequent occasions, when the following Minutes were recorded:-

Minute 817 - 16th August, 1933:

"That, arising out of Mr. Gibb's comments upon the question of Depreciation and Reserves, this Council re-affirms its previously expressed view

that 2 per cent is an adequate rate until 1945 and advises that renewed representations be made on the subject to the Secretary of State. Failing acceptance of this proposal, Council recommends that, with the approval of the Secretary of State in each specific case, the unrequired balance of the Renewals Fund should be invested in the purchase of additional railway assets (i.e. that it should be used in much the same way as a Betterment Fund)."

Minute 867 - 21st/22nd February, 1934:

"The General Manager reported to Council that the question of depreciation, which had been dealt with by Council in Minute 817 of the meeting of the 16th/18th August, 1933, had been referred to the Governors' Conference and also to the Governments of Kenya and Uganda and that a despatch had been sent to the Secretary of State strongly supporting the recommendations of Council.

Further developments in this connection will be reported in due course."

Minute 952 - 26th February, 1935:

"Council also asked whether any decision had been received from the Secretary of State with regard to the contribution to the Renewals Fund on account of depreciation.

Colonel Walker said that he had received a telegram from the Secretary of State informing him that a despatch on this question was shortly being sent."

Minute 972 - 13th June, 1935:

"Council wished to draw attention to the fact that no decision had yet been received from the Secretary of State with regard to the contribution to the Renewals Fund, and asked that the High Commissioner should again press for an early decision on this matter."

10. It is impossible to add further arguments to those already submitted, but it is possible to check the information then available and the conclusions then come to.

11. The Report now submitted confirms in every detail the soundness of the case already presented, while the diagrams at the end of the Report illustrate the present position in a very striking manner.

12. I propose to adopt all the recommendation 1-19 submitted by the Committee, and, in consequence, submit the following recommendations for consideration by Council and submission to the Secretary of State:-

RECOMMENDATIONS:-

- (1) That a sum of £654,130 be transferred immediately from the Renewal Fund to the General Reserve, to bring the total in the Reserve up to £1,000,000, as agreed to in Minute 817 of the meeting of 16th August, 1933.
- (2) That the rate of contribution to the Renewal Fund in respect of Railway ~~wasting assets~~ be reduced to 2 per cent until 1945, when the position will be again reviewed.

Ref. No. E.F. 391.

GENERAL MANAGER'S OFFICE,
NAIROBI,

8th June, 1936.

RAILWAY ADVISORY COUNCIL.

EXTRACT FROM MINUTES.

Meeting No. 47.

Hold at **KNTEBBE.**

Date **1st/2nd JULY, 1936.**

Minute No. **1047**

Folio No. **566-567.**

**1047. CONTRIBUTION TO RENEWAL FUND ON ACCOUNT OF DEPRECIATION:
(R.A.C. 6)**

Council had before it the memorandum submitted by the General Manager No.E.F.391, dated 8th June, 1936, together with the Report of the Departmental Committee.

2. Council wished to record their appreciation of the work of the Committee which had been carried out in an exceedingly able and clear manner.

3. On financial grounds Council endorsed the following recommendations of the General Manager :-

- (1) That a sum of £654,130 be transferred immediately from the Renewal Fund to the General Reserve, to bring the total in the Reserve up to £1,000,000, as agreed to in Minute 817 of the meeting of 16th August, 1933;
- (1i) That the rate of contribution to the Renewal Fund in respect of Railway wasting assets be reduced to 2 per cent until 1945, when the position will be again reviewed;

but, in view of the Imperial Treasury's attitude on the question of the rate of contribution to the Renewal Fund, considered that no useful purpose would be served by pressing the matter further at the present time.



OFFICE OF THE HIGH COMMISSIONER FOR TRANSPORT,
GOVERNMENT HOUSE,
NAIROBI,
KENYA.

TRANSPORT
KENYA-UGANDA

NO. 46

RECEIVED
10 JUL 1936
C. O. REGD

June, 1936.

Sir,

I have the honour to enclose, for your information, two copies of the Report of a Departmental Committee appointed by the General Manager to review and report upon various questions connected with contributions to the Renewals Fund of the Kenya and Uganda Railways and Harbours.

2. Copies are also enclosed of a covering memorandum for consideration together with the Report by Railway Advisory Council at its meeting on the 1st July. I shall no doubt have occasion to address you further on the questions at issue when the views of Railway Advisory Council have been ascertained.

I have the honour to be,

Sir,

Your most obedient, humble servant,

HIGH COMMISSIONER.

THE RIGHT HONOURABLE

W.G.A. GIMSBY-GORE, M.P.,

SECRETARY OF STATE FOR THE COLONIES,

DOWNING STREET, S.W.1.

copy (sup. work) to Trans. (S/O) (4)

CONTRIBUTION TO RENEWAL FUND ON ACCOUNT OF DEPRECIATION.

The need to review the lives of assets brought to notice some serious discrepancies in the Register of Wasting Assets. It became clear that, owing to the absence in the past of suitable procedure, many assets, although retained on the books, were no longer in existence. Instructions were, therefore, issued in 1934 to all Heads of Departments to carry out a complete review of the assets in their charge.

2. It was decided to take advantage of this investigation to review the whole position of the Renewal Fund.

3. A Departmental Committee was, therefore, appointed in July, 1935, under the Chairmanship of the Chief Engineer. The Report of this Committee is now submitted to Council for consideration.

4. Members will remember that the question of the amount of the annual contribution to the Renewal Fund has been under discussion with the Secretary of State for many years.

5. Following on the Report of the 1929 Committee, a comprehensive memorandum was presented to Council for consideration at their meeting of April 28th/29th, 1930, when the following resolutions were recorded:-

"That, in the opinion of Council, based upon the Report of the Departmental Committee and the General Manager's memorandum, dated the 29th March, 1930, addressed to the High Commissioner for Transport, and subject to review ten years hence, a case has been established for the retention of the 2 per cent contribution to the Renewals Fund on account of depreciation of wasting assets, as regards the Railway; and that, as recommended by the General Manager, an adjustment should be made in the Estimates for 1930 by transferring the sum of £56,594 to the credit of the Interest Reserve Fund."

"AGREED to recommend that, in connexion with the Marine and Motor Services, the Departmental Committee's proposals be approved: Viz:

(a) Marine Service.

Life value to be calculated as thirty-three years; that no contributions be made for the next five years; and that the position be reviewed at the end of that period of time;

(b) Motor Services.

Life value to be calculated at five years and that contributions be made to the Fund on a 20 per cent per annum basis."

1 on 16250/30, Ky a

6. Accordingly, a despatch, dated 22nd May, 1930, dealing with the whole question and recommending a 2 per cent contribution until 1945 was forwarded by the High Commissioner to the Secretary of State.

7. Following on further correspondence and discussions, another memorandum, dated 24th March, 1931, in reply to the points raised and addressed to the High Commissioner, was considered by Council at their meeting of 8th April, 1931, when the following resolution was recorded:-

- (a) Council noted from the correspondence placed before it that the Secretary of State proposes to issue instructions that the contribution to Renewals Fund shall be at the rate of 2½ per cent, with the possibility of increase to 3 per cent at a later date, while at the same time the Reserve Account is to be increased to £600,000. see 1 on 17221/31
- (b) Council desires to re-affirm its resolution (4) embodied in Minute No. 520 of the meeting of Council held on 28th/29th April, 1930, which reads as follows:-

"That in the opinion of Council, based upon the Report of the Departmental Committee and the General Manager's memorandum, dated the 29th March, 1930, addressed to the High Commissioner for Transport, and subject to review ten years hence, a case has been established for the retention of the 2 per cent contribution to the Renewals Fund on account of depreciation of wasting assets, as regards the Railway, and that, as recommended by the General Manager, an adjustment should be made in the Estimates for 1930, by transferring the sum of £56,594 to the credit of the Interest Reserve Fund'.

- (c) Council hopes that the High Commissioner will consent to address further representations to the Secretary of State in this matter and that His Excellency will transmit to the Secretary of State the memorandum prepared by the General Manager replying in detail to the arguments advanced by General Hammond."

1 on 17221/31 Ky a
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"That, arising out of Mr. Gibb's comments upon the question of Depreciation and Reserves, this Council re-affirms its previously expressed view

that 2 per cent is an adequate rate until 1945 and advises that renewed representations be made on the subject to the Secretary of State. Failing acceptance of this proposal, Council recommends that, with the approval of the Secretary of State in each specific case, the unrequired balance of the Renewals Fund should be invested in the purchase of additional railway assets (i.e. that it should be used in much the same way as a Betterment Fund)."

Minute 867 - 21st/22nd February, 1934:

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Further developments in this connection will be reported in due course."

Minute 952 - 26th February, 1935:

"Council also asked whether any decision had been received from the Secretary of State with regard to the contribution to the Renewals Fund on account of depreciation.

Colonel Walker said that he had received a telegram from the Secretary of State informing him that a despatch on this question was shortly being sent."

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10. It is impossible to add further arguments to those already submitted, but it is possible to check the information then available and the conclusions then come to.

11. The Report now submitted confirms in every detail the soundness of the case already presented, while the diagrams at the end of the Report illustrate the present position in a very striking manner.

12. I propose to adopt all the recommendation 1-19 submitted by the Committee, and, in consequence, submit the following recommendations for consideration by Council and submission to the Secretary of State:-

RECOMMENDATIONS:-

- (1) That a sum of £654,130 be transferred immediately from the Renewal Fund to the General Reserve, to bring the ~~total in~~ the Reserve up to £1,000,000, as agreed to in Minute 817 of the meeting of 16th August, 1933.
- (2) That the rate of contribution to the Renewal Fund in respect of Railway wasting assets be reduced to 2 per cent until 1945, when the position will be again reviewed.

Ref. No. E.F. 391.

GENERAL MANAGER'S OFFICE,
NAIROBI.

8th June, 1936.



Kenya and Uganda Railways and Harbours

REPORT
OF
SECOND

DEPARTMENTAL COMMITTEE ON
THE AMOUNT OF CONTRIBUTION
TO RENEWALS FUNDS NECESSARY
TO ALLOW FOR RENEWING
WASTING ASSETS

1935

CONTENTS

	PAGE
SECTION I Constitution of Inquiry (Paragraphs 1-5)	1
.. II History of the Renewals Funds (Paragraphs 6-31)	2
.. III 1929 Committee and Matters Arising Therefrom (Paragraphs 32-56)	12
.. IV 1935 Committee (Paragraphs 57-103)	16
.. V Results of Investigation (Paragraphs 104-126)	23
.. VI Other Matters Referred to in Terms of Reference of 1929 and 1935 Committees (Paragraphs 127-152)	27
RECOMMENDATIONS Nos. 1 TO 10	28
APPENDIX No. 1 Tables R. 2 and H. 2—Classification of Wasting Assets	33
.. No. 2 Tables R. 3 and H. 3—Contributions and Withdrawals Under Main Subheads for 25 Years from 1935	48
.. No. 3 Tables R. 4 and H. 4—Expenditure Under All Detailed Classifications for 6 Years Ending 1941	54
.. No. 4 Tables R. 5 and H. 5—Statement Showing Annual Contributions to Funds and Accrued Depreciation at 31-12-1935	58
.. No. 5 Copy of the Instructions Governing the Funds and Operation Thereon as Issued from Time to Time
DIAGRAM No. 1 RAILWAYS—Expenditure, Contributions and Balances in Fund for 500 Years	
.. No. 2 RAILWAYS—Expenditure, Contributions (Full Full Social and Balances in Fund for 150 Years (Enlarged)	
.. No. 3 RAILWAYS—Expenditure, Contributions (Varying Bases) and Balances in Fund for 150 Years (Enlarged)	
.. No. 4 HARBOURS—Expenditure, Contribution and Balances in Fund for 200 Years	

TO THE HONOURABLE GENERAL MANAGER,
KENYA AND UGANDA RAILWAYS AND HARBOURS,
NAIROBI.

SIR,

We have the honour to submit our report as under :—

I.—CONSTITUTION OF INQUIRY.

1. The question of depreciation as applied to the wasting assets of the Kenya and Uganda Railways and Harbours was last investigated in 1929, the figures of original cost adopted in the investigation being necessarily approximate only. 1929 investi-
gation.

2. You decided therefore to initiate a further investigation of the Renewals Funds and, on 12th July, 1935, appointed the following Committee : 1935
Committee.

The Chief Engineer (Chairman).

The Chief Accountant (or, in his absence, the Acting Chief Accountant).

The Chief Mechanical Engineer (or, in his absence, the Acting Chief Mechanical Engineer).

3. The terms of reference ~~issued to~~ the Committee in your E.P. 391 Vol. 6, of 12th July, 1935, were as under :— Terms of
reference,
1935.

- (1) To review and report on the suitability of the registers of wasting assets prepared by each Department, and to review the recorded life and cash values adopted by the Departments concerned
- (2) To review and report upon the existing basis of contributions to the 'Renewals Fund' and to submit recommendations for any revision of the existing basis and procedure considered necessary with particular reference to :—
 - (a) The existing practice of basing such contributions upon the original cost of assets ;
 - (b) The effects of abandonment of assets on account of obsolescence, and whether the fund should be financed by contributions to cover such obsolescence, and, if so, what limits, if any, should be provided.
- (3) To submit such recommendations as the Committee considers necessary as a result of the review required under the preceding paragraphs, bearing in mind that the primary object of the Fund is to ensure that there should be available, as required, sufficient moneys to meet the cost of necessary replacement of assets as they become due.
- (4) To prepare and submit statements showing the full financial effect of the Committee's proposals in comparison with the present position as well as statements reflecting arrears in expenditure and the annual amounts which will require to be withdrawn from the Renewals Fund, as well as the surplus balances of the respective funds at the end of each year for such term of years as the Committee may find necessary to demonstrate the soundness of their proposals ; and
- (5) To review and report upon any matter arising out of, or incidental to, the Committee's investigations.

For the purpose of facilitating the Committee's investigations, which I desire should be commenced as early as possible, the Committee will have full powers to call for any documents or information required, or to co-opt any officer of the Administration as an additional member of the Committee for all or any of its meetings ; to take the evidence of any of the Administration's officers or to obtain any necessary evidence from outside parties (as, for example, the Chief Telegraph Engineer) ; and to call for any necessary assistance from any of the Departments of the Service."

Marine Insurance Fund

4. It was subsequently decided, in your E.F. 1651 of 8-10-1935, that consideration of the necessity or otherwise of the re-establishment of the Marine Insurance Fund should be deemed to be included in the terms of reference.

Personnel of Committee

5. The deliberations of the Committee were delayed until the arrival of the substantive Chief Accountant, and, in the meantime, preliminary work in respect of the preparation of schedules of wasting assets proceeded. The Chief Engineer and the Chief Accountant were present throughout the deliberations, but, owing to the absence of the Chief Mechanical Engineer on leave, his place was filled by the Locomotive Superintendent (Acting Chief Mechanical Engineer) throughout the inquiry, in accordance with your terms of appointment of the Committee. The Locomotive Superintendent proceeded on leave in March, 1936, before the Committee had been able to draft the report on its investigations. The main basic principles, replacement costs, lives, etc., were agreed, however, prior to his departure.

II.—HISTORY OF THE RENEWALS FUNDS

A.—RAILWAYS SECTION.

191-1913 Annual Report comments.

6. In the Annual Report for the year 1912-13 the Chief Accountant reported as under :—

"There is one matter in connection with this department which calls for consideration—the replacement and renewal of permanent way material. Prolaying commenced about June, 1896, so that part of our permanent way has been in use for 17 years, and the average time is between June, 1896, and December, 1901, when the rails reached the Lake. I think it would be of great advantage to us in the long run if we opened a Permanent Way Depreciation Fund."

1921 Annual Report

7. Prior to 1st April, 1921 net profits of the transport services were handed over to the Kenya Government, and the following figures, quoted in the Hansard Report for 1921, para. 189, show the financial relations between the Uganda Railway and the Government of Kenya from 1st April, 1903, up to 31st March, 1921 :—

189. The following account shows the financial relations between the Uganda Railway and the Government of Kenya from the 1st April, 1905, up to the 31st March, 1921. In this account the Government has been debited with the net profits earned by the Railway, together with the surcharge on railway rates; on the other hand the Railway has been debited with the war bonus which was paid by the Government, as well as the extraordinary expenditure incurred by it.

(A) Government Dr. to Uganda Railway.

Net profit, <i>vide</i> Financial Statement, Table III, Uganda Railway Report, for 1920-21	£2,273,286
Surcharge 1918-19, <i>vide</i> page 26 Uganda Railway Report, 1918-19	89,137
Surcharge 1919-20, <i>vide</i> page 28 Uganda Railway Report, 1919-20	109,407
	£2,471,830

(B) Uganda Railway Dr. to Government.

War bonus 1918-19, <i>vide</i> page 26 Uganda Railway Report, 1918-19	£54,453
War bonus 1919-20, <i>vide</i> page 28 Uganda Railway Report, 1919-20	184,005
Extraordinary Expenditure, <i>vide</i> Table XIII B. Uganda Railway Report, 1920-21	398,915
Extraordinary Expenditure on Magadi Works, <i>vide</i> Table XIII C. Uganda Railway Report, 1920-21	151,905
	£789,278
Net, balance, Government Dr. to Uganda Railway	£1,682,552

In other words, the Government of Kenya has profited to the extent of well over £1,500,000. In view of the excellent revenues which the Government of Kenya has drawn from this property, it is appropriate to inquire as to the condition in which that property has been maintained.

This report also states—

"This policy of extracting the maximum revenue and carrying out no replacements has been pursued up to the close of the financial year ending 31st March, 1921, during which year a sum of over £155,000 was paid to the Government of Kenya by the Railway, and after which date it was decided by the Secretary of State that in future no surplus revenue from the Railway would be available for the purpose of the Colonial Treasury.

192. In order to ascertain the sum which it will be necessary to find for the purpose of replacement and renewals, I requested the Uganda Railway authorities to prepare a list of assets considered as replaceable, quoting against each the cost of replacement at present prices. In normal times it is usual to take the original cost as that against which provision for replacement has to be made out of revenue, as the rise in costs is inconsiderable, but, if this method were adopted in the present case, it would mean that the difference between the original cost and the cost of replacement would have to be borne out of capital. This rise in cost does not, however, represent any increase in revenue earning capacity, and it would therefore be unfair to charge it against capital. Any improvements come on a different footing, but the whole cost of replacing one building by one identically similar must obviously be a charge against revenue only.

Should an appreciable fall in prices take place, reassessment could be made accordingly, but, until that takes place, any other cost than that of the present time would merely be a prophecy.

To the figures of replaceable cost as presented by the Railway, I have applied annual percentages corresponding to the estimated lives of the various classes; the percentages I have adopted are those in force on the South African Railways, except in the case of temporary buildings, press and general items, containing signals, fencing, etc. In these cases I have adopted the percentages which I consider applicable to the particular Railway under review.

The final figures are shown in the table hereunder, which gives the sums which should be set aside annually to make provision for renewals and replacements, and do not include any allowance for making up arrears of renewals; they merely show the normal sums which should be so set aside annually; nor do they include the sums required for the programmes of replacement of worn-out plant and temporary buildings referred to in paragraphs 41 and 51, nor any provision for buildings and plant included in those programmes.

CLASS	Cost of Replacement	Percentage	Annual Sum to be Placed to Renewals Fund
	£	Per cent	£
Locomotives	1,155,000	4	46,200
Workshops	47,160	6½	3,144
Rolling Stock	1,590,200	4	63,608
Fire Engines, Pumps, Electric Plant, Coppers, Fumigators, Turntables, Weigh-bridges, Flipping and Canes	263,720	5	13,186
Buildings—			
Temporary	216,763	5	10,838
Permanent	261,115	1½	3,916
Permanent Way Material	2,970,000	3½	99,000
Boilers	20,950	4	838
Press	4,622	Actual replacements required	1,100
Signals, Fencing, Road Rollers, Water Cranes, Block-making Machines	97,500		3,900
Tanks	64,480	3½	2,149
Bridging	894,300	3½	29,810
TOTAL	£ 7,685,810	—	277,689

1922. To this annual total has to be added the annual cost of the five-year programmes of replacing buildings and plant. The following table shows the provision required each year from 1922 to 1926 for the Renewals Fund and for the replacements programmes. It also shows the annual provision for renewals and plant which are built or purchased under those programmes:—

ITEM	Total Amount of Programme	ANNUAL CONTRIBUTIONS						
		1922	1923	1924	1925	1926	1927	1928
	£	£	£	£	£	£	£	£
Annual Contributions to Five-Year Programmes of Buildings	558,278	111,656	111,656	111,656	111,656	111,656	—	—
Annual Contribution to the Five-Year Programmes of Plant	71,700	23,900	23,900	23,900	—	—	—	—
Annual Contribution in Respect of Complete Replacements of Buildings Programme (13 per cent)	—	—	1,675	7,750	5,025	6,700	8,375	8,375
Plant Programme (65 per cent)	—	—	1,595	3,190	4,785	4,785	4,785	4,785
Annual Contribution to Renewals Fund in Respect of all other Assets and Plant	—	277,689	277,689	277,689	277,689	277,689	277,689	277,689
TOTAL	£ 630,978	£ 413,276	£ 419,545	£ 419,815	£ 399,165	£ 400,830	£ 290,849	£ 290,849

I would again emphasize the fact that these tables, except for items included in the programme for buildings and plant, make no provision for making up arrears. The total amount of arrears is so large in comparison to the revenue-earning capacity of the Railway that at present it is impossible to contemplate the possibility of doing so. An improvement in prices might alter the situation, but such a contingency cannot be taken into account until it has occurred.

Except for the two programmes, these proposals aim at nothing more than not allowing the Railway to slip still further behind.

194. It is thus clear that the Railway will not be in a position during the year 1922 to meet the normal annual renewal charges and demands of the replacements programme for buildings and plant. The figures given above are also unduly optimistic, because they assume that the ratio of working expenditure to gross receipts will drop during 1922 from 90 per cent to 75 per cent. However radical the reforms may be, improvements cannot be effected to such an extent in so short a time. The situation is therefore really worse than that depicted above.

Despite the fact that it only has to pay the ridiculously small loan charges of 423,923 per annum, or, including the Busoga and Port Bell-Kampala Railways, of under £35,000 a year on a capital expenditure of over £7,000,000, the Railway is now in the position that it will be difficult for it to find funds to pay for its annual renewals and to carry out replacements which are long overdue. Except for the programmes mentioned, it cannot expect for the time being to make up any arrears of renewals. It is still more out of the question for it to find funds for any purpose such as the budget of the Colony. It is, in fact, in the position of a property which has been drained dry in order to meet the momentary needs of its owners, without regard to the future.

The property is a valuable one, but it will have to be worked back to a healthy state by the use of the most economical methods of operation and careful finance.

It is essential that the finances of the Railway should be completely divorced from those of the Colony, and treated as a single business concern, to be run on proper commercial lines. The whole affords an excellent example of the dangers of not having proper renewals funds, the policy of paying for replacements as they fall due is all right, provided it is rigidly adhered to, but the temptation to put off the evil day, especially when the owners are pressed financially, may sometimes be too strong to be resisted, and then a situation will arise similar to that on the Uganda Railway at the present moment.

8. From 1st April, 1921, the net profits of the transport services were placed to the credit of a "Railway Renewals and Betterment Fund", and at the end of December, 1923, the accumulated balance was £367,804 17 00. The Fund was then divided into its two component parts:—

	£	s.	d.
(a) Renewals	163,390	8	50
(b) Betterments	193,390	8	50
Total	£356,780	17	00

Establishment of Railway Renewal and Betterment Fund, 1921.

9. In the years 1924 to 1928 inclusive, the "Renewals Fund" was credited with annual contributions at the rate of 3 per cent on the capital cost of Railway wasting assets only, which included Mombasa Port works for 1924 to 1926 inclusive, while for the years 1926 and 1927 contributions calculated at 5 per cent on the capital cost of Marine wasting assets were also credited to this Fund. Contributions to the Fund for the year 1929 were calculated at 2 per cent on the Railway wasting assets, and for the years 1930 to 1935 at 2½ per cent. The estimated contribution for 1936 is on the same percentage basis.

Basis of contribution

10. From the 1st January, 1924, Railway Working Expenditure included charges under the heading "Depreciation" for contributions to the "Railway Renewals Fund", contributions to "Betterment" being made a charge to Net Revenue Account as an appropriation of any available surplus.

Incorporation of depreciation in working accounts

11. The amount of depreciation provided for in the years 1924 to 1928 inclusive, under Railway Working Expenditure, was, as stated above, arrived at on the basis of 3 per cent of the capital cost (including labour costs) of wasting assets. This was a higher rate of contribution than was then in operation on the South African Railways, but in fixing it regard was had to the absence of provision for depreciation in past years.

1924 to 1928 basis of contribution

12. A sum of £150,000 was withdrawn from the Fund and transferred to Working Capital Stores in 1927 to provide funds for the financing of stores stocks.

Working capital stores.

13. It should be mentioned that up to the year 1934 the value of the old material returned to stores in connection with renewal works was credited to the Renewals Fund; this is now credited to Net Revenue Account. In 1935, in addition to ordinary renewals, a considerable sum was charged against the Fund in respect of assets withdrawn from service and not replaced, or replaced by assets of smaller capacity, etc.—the outcome of the policy of writing redundant and obsolete wasting assets out of capital.

Credits second-hand material.

14. The balance at the credit of the Railway section of the Renewals Fund at 31st December, 1935, after adjustment in respect of assets actually written out of the Fund in 1935 but included in the statements prepared by the Committee was £1,419,446.

Balance in Fund, 31-12-35

RENEWALS FUND
A.—RAILWAYS SECTION

YEAR	Balance Brought Forward	Contribution	Miscellaneous Credits	Total Annual Credits	Disbursements	Miscellaneous Debits	Total Annual Debits	Balance Carried Forward	REMARKS
	£	£	£	£	£	£	£	£	
1921	15,883	15,983	—	15,883	3,756	—	3,756	15,883	<p>Joint Renewals and Betterment Fund, 1921 to 1923 inclusive £10,796 under Miscellaneous debits is on account of expenditure against Betterment.</p> <p>£193,390 under Miscellaneous debits is transfer to Betterment Fund.</p> <p>Contribution includes £17,525 contributed on 1st January 1924. Marine Section £192,865 contributed on Marine Section, £100,000 under Miscellaneous debits is transfer to Working Capital (Stores Fund).</p> <p>£10,000 under Miscellaneous debits is loan to Harbours, repaid in 1931.</p> <p>Miscellaneous credits include £10,000 loan repayment by Harbours.</p> <p>Balance as per 1935 accounts adjusted in respect of assets withdrawn as under:— £1,399,249</p> <p>Add Adjustment in respect of assets withdrawn but included in Working Assets Schedules 20,197</p> <p style="text-align: right;">TOTAL £1,419,446</p>
1922	73,027	55,785	4,791	133,603	11,247	676	124,856	73,027	
1923	356,780	300,910	4,140	661,830	100,384	10,050	110,434	356,780	
1924	163,492	154,089	4,239	321,820	158,226	193,390	351,616	163,492	
1925	163,492	167,938	2,847	334,277	182,233	—	182,233	142,044	
1926	142,044	216,805	2,175	360,992	100,384	—	100,384	260,440	
1927	290,440	257,008	1,811	549,259	62,483	150,000	212,483	316,776	
1928	316,776	289,828	1,890	608,504	93,333	10,000	103,333	475,161	
1929	475,161	189,625	2,268	667,054	291,022	—	291,022	375,930	
1930	375,930	282,967	1,531	659,428	114,335	—	114,335	546,093	
1931	546,093	300,900	12,574	849,567	238,226	—	238,226	621,341	
1932	621,341	317,658	1,835	940,834	5,790	—	5,790	925,044	
1933	925,044	328,326	3,819	1,257,189	16,041	—	16,041	1,241,148	
1934	1,241,148	329,849	2,671	1,573,668	105,731	—	105,731	1,473,880	
1935	1,474,880	329,869	38	1,804,787	405,533	—	405,533	1,399,249	
	—	3,508,140	46,566	7,554,705	1,791,340	364,116	2,155,456	1,399,249	

B.—MARINE SECTION.

15. The Marine Services of the Transport Administration are divided into three sections:—

- (a) Lake Victoria (run by the Uganda Railway from the date of inauguration).
- (b) Lake Kioga (taken over by the Uganda Railway from the Uganda Government in 1913).
- (c) Lake Albert and the Nile (taken over by the Uganda Railway from the Uganda Government in 1924).

16. The transfer of the Lake Kioga service from the Uganda Marine to the Uganda Railway was effected on 1-4-1913—the fleet then operating being taken over together with the relative capital expenditure.

17. The Lake Albert and Nile service was taken over on 1st January, 1924, and the fleet then operating transferred to the Uganda Railway, together with the relative capital expenditure. The Uganda Government Marine Insurance Fund was also taken over by the Uganda Railway at the same time, the balance at credit of the Fund (£9,708) being merged in the Marine Renewals Fund.

18. The existing Marine Section of the Renewals Fund had its origin in effect in 1913, when the establishment of a Marine Insurance Fund was approved.

19. The General Manager, in his Annual Report for the year 1912-13, writes as under:—

"It is not customary on a State railway to have a 'reserve fund'. The railway and its works are always presumed to be kept up to date and any works necessary are charged against revenue; engines and rolling stock, as they get worn out, are replaced by new stock and the cost debited to revenue, but something more than this is wanted in the Marine Service. At any time we may lose a steamer and it will be quite impossible to replace it out of revenue. It has therefore been very wisely decided to form an insurance fund and this has now been sanctioned. As many of the steamers are some years old and there is leeway to be made up, it is proposed to form a fund based on a 5 per cent contribution per annum on the value of the steamers under commission."

20. The Marine Insurance Fund was brought into being by a first contribution of £7,500 in the Working Account of Steamboat Services 1913-14, under the heading of "Insurance and Depreciation"; balances were invested and interest thereon credited to the Fund.

21. The accumulated amount to the credit of this Fund at 31st December, 1923, was £208,688-3-34. During the year 1924 the constitution of the Fund was altered (as was the case with the Railway Renewals and Betterment Fund) and the balance disposed of as under:—

	£	s.	cts.
(a) Renewals	29,436	9	17
(b) Betterment	50,000	0	00
(c) Insurance	129,251	14	17
Total	£208,688	3	34

The net proceeds on realization of securities disposed of in 1924 were credited to the Renewals Section, which ceased to be a separately invested fund. On this reconstitution it was decided to restrict the purposes of the Marine Insurance Fund to insurance only, and to limit it to £100,000, the

view held by the Administration being that "the necessity for an insurance fund would disappear as the Renewals Fund increased. The value of the marine assets, being only a small proportion of the whole of the assets of the Administration, no particular necessity to provide for insurance of Lake craft was apparent, especially as any loss which might be incurred would not put an excessive strain on financial resources, nor seriously impair the carrying capacity of the Lake services."

Basis of contribution to Marine Renewals Fund.

22. Contributions at the rate of 5 per cent per annum on the capital cost of steamers, etc., were made to the Fund for the years 1924, 1925, and 1928; for the year 1929 at 3½ per cent, and for the year 1930 at 4.17 per cent. The contributions for the years 1926 and 1927 at 5 per cent were credited to the Railway Renewals Fund on the grounds that it was considered sufficient sums had been set aside to meet the requirements of the Marine Section for the time being. No contributions have been made to the fund from working accounts from 1931 onwards, and no provision for such contribution is included in the 1936 estimates.

Appropriation of Marine Insurance Fund.

23. In October, 1930, the Secretary of State approved:—

"That the Marine Insurance Fund should not at present be abolished, but that the Fund should be drawn upon for betterments or replacements with the sanction of the Secretary of State, until it eventually becomes exhausted; the renewals balance being increased by contributions, if necessary, as the Marine Insurance Funds decreased."

Although no contributions from working account have been made to the Renewals Fund since 1930, it has benefitted to the extent of £28,332 (equal to approximately two years' normal contributions) by transfers from the Marine Insurance Fund after the following major capital assets had been purchased from that Fund, which has now been finally closed:—

S.S. <i>Robert Coryndon</i>	£65,248
Dry dock, Butiaba	21,403
Kagera River tug and two lighters	14,673

Total ... £101,324

Balance in Fund, 31-12-35.

24. The balance at the credit of the Marine Section of the Renewals Fund on 31st December, 1935, was £69,641.

142

RENEWALS FUND

B.—MARINE SECTION

YEAR	Balance Brought Forward	Contribution	Miscellaneous Credits	Total Annual Credits	Disbursements	Miscellaneous Debits	Total Annual Debits	Balance Carried Forward	REMARKS
1923	—	26,437	—	26,437	—	—	—	26,437	£26,437 transferred from Marine Insurance and Depreciation Fund.
1924	26,437	16,499	—	15,490	4,663	—	4,602	40,325	
1925	40,325	16,187	—	15,137	2,611	—	3,919	52,513	
1926	44,914	—	—	—	6,639	—	7,659	44,914	£17,625 contribution credited to Railway Fund.
1927	43,178	—	—	—	7,395	—	1,776	43,178	£20,891 contribution credited to Railway Fund.
1928	65,665	23,072	—	21,072	—	—	656	65,665	
1929	65,665	15,089	—	15,089	1,238	—	1,288	79,489	
1930	79,486	19,023	—	15,229	1,220	—	820	97,695	
1931	97,695	—	—	—	1,546	—	1,546	96,149	
1932	96,149	—	—	—	—	—	—	96,149	
1933	—	—	26,991	26,991	—	—	1,929	122,111	Miscellaneous credits includes £26,735 transferred from Marine Insurance Fund.
1934	122,111	—	6	4	5,254	—	3,924	118,133	
1935	118,133	—	1,577	1,597	51,069	—	51,069	69,641	£1,597 transferred from Marine Insurance Fund.
1936	—	118,254	28,634	146,888	77,247	—	77,247	69,641	

C.—MOTORS SECTION.

Motor Services. 25. The Motor Service, forming the connecting link between Lakes Kioga and Albert, was taken over from the Uganda Government on 1st January 1924, concurrent with the transfer of the Lake Albert and the Nile Marine Service. Capital expenditure relative to the motor vehicles was also taken over.

26. The first contribution to a Renewals Fund in respect of the Motor Service was made in 1924 and amounted to £822. This amount was credited to the Railway Renewals Fund which, in 1928, covered railways, motors and port assets.

27. The Motor Service Renewals Fund was established as a separate section in 1927 and, for the years 1927 and '28, contributions were made at the rate of 25 per cent on the capital cost of motor service vehicles. For the year 1929 the rate of contribution was 1 1/2 per cent; in 1930, 20.83 per cent, and for the years 1931 to 1935 inclusive at 20 per cent. The estimates for the year 1936 include provision for contribution at the rate of 20 per cent.

28. The balance at the credit of this section of the Fund, on 31st December, 1935, was £43,382.

RENEWALS FUND

C.—MOTOR SERVICES

YEAR	Balance Brought Forward	Contribution	Miscellaneous Credits	Total Credits	Disbursements	Miscellaneous Debits	Total Annual Debits	Balance Carried Forward	REMARKS
1926	—	—	—	—	—	—	—	—	—
1927	—	6,425	—	6,425	—	—	—	6,425	—
1928	—	6,512	—	6,512	—	—	—	12,937	—
1929	—	5,017	—	5,017	—	—	—	17,954	—
1930	—	12,937	—	12,937	—	—	—	30,891	—
1931	—	17,954	—	17,954	4,800	—	4,800	26,091	—
1932	—	19,427	—	19,427	2,954	—	2,954	29,045	—
1933	—	23,255	30	23,285	2,779	—	2,779	31,810	—
1934	—	35,255	53	35,308	—	—	—	37,518	—
1935	—	34,199	150	34,349	2,380	—	2,380	39,137	—
1936	—	38,017	160	38,177	983	—	983	43,382	£332 contributed to Railway Section.
	—	57,045	233	57,278	13,896	—	13,896	43,382	—

D.—HARBOURS SECTION.

29. During the years 1924 to 1926 inclusive, Earhart assets were included with Railways, and contributions to the Renewals Fund included therewith. The Harbours section of the Renewals Fund was established as a separate section in 1927 following the transfer of the control of coast ports to the transport services.

30. Contributions to the fund from 1927 onwards were assessed on a life basis in conjunction with original capital cost. The estimates for the year 1936 include provision for contributions on a similar basis.

31. The balance at the credit of the Harbours section of the Renewals Fund on 31st December, 1935, was £181,798.

RENEWALS FUND

D.—HARBOURS SECTION

YEAR	Balance Brought Forward	Contribution	Miscellaneous Credits	Total Annual Credits	Disbursements	Miscellaneous Debits	Total Annual Debits	Balance Carried Forward	REMARKS
1927	—	—	—	—	—	—	—	—	—
1928	—	15,023	45	15,068	8,349	—	8,349	6,719	—
1929	—	12,623	10,000	22,623	—	—	—	24,343	£10,000 under Miscellaneous credits is loan by Railway repaid in 1931.
1930	—	14,504	24	14,528	3,171	—	3,171	35,200	—
1931	—	16,605	14	16,619	671	—	671	51,648	—
1932	—	24,425	—	24,425	337	10,000	10,337	65,736	Miscellaneous debits £10,000 loan repayment to Railway.
1933	—	26,042	111	26,153	537	—	537	92,426	—
1934	—	30,338	3	30,341	1,243	—	1,243	121,523	—
1935	—	30,376	3	30,379	3,497	—	3,497	148,405	—
1936	—	30,324	—	30,324	3,069	—	3,069	181,798	—
	—	196,260	10,200	206,460	13,662	10,000	23,662	181,798	—

III. 1929 COMMITTEE AND MATTERS ARISING THEREFROM.

1. A report in 1929 a departmental committee, consisting of—

(a) The Chief Accountant (Chairman),

(b) The Acting Chief Engineer,

(c) The Acting Chief Mechanical Engineer,

was appointed by the General Manager as secretary, was appointed with the following terms of reference—

- (1) To consider and report upon the amount of contributions that are considered necessary to the Renewals Fund to allow for depreciation of wasting assets and the principles that should be followed in connection with the working of this account.
- (2) In this connection it will be necessary to establish the average life of wasting assets and from that the percentage of original cost that should be contributed annually to allow for its replacement. From the amount obtained from this calculation should be deducted credits that might be expected due to—
 - (a) assets scrapped and not replaced
 - (b) reduction in liability due to the amount of sinking funds provided in reduction of interest-bearing capital.
 - (c) credits for recovered material.
 - (d) credits for surplus funds found in practice to be available, due to expenditure on renewal usually being overdue.
- (3) It will also be necessary to calculate to what extent the wasting assets of the Administration have been properly renewed, or whether there is an overdue expenditure against the Renewals Fund.
- (4) With the above information available, it will be possible to calculate the annual expenditure that may be expected against the Renewals Fund during the next, say, ten years.
- (5) With the above information available, it will also be possible to state whether the practice of purchasing new rolling stock as against "accrued depreciation" is possible and advisable, and, finally, whether, after fixing the rate for depreciation, a further limit should be set by fixing a minimum percentage of revenue in any one year as a contribution to the Renewals Fund.
- (6) In connection with the above matter I would refer you for guidance in your investigation to the report received from the South African Railways and Harbours with regard to the same question. This report will be of extreme value, but its conclusions may have to be modified to some extent to meet local conditions.
- (7) I should be glad if this investigation could be carried out with as little delay as possible, as the Secretary of State has particularly asked us to report on this matter in view of last year's proposals to reduce the contribution to Renewals Fund to two per cent on the original cost of wasting assets."

33. This Committee finally reported in January, 1930.

34. The short time at the disposal of this Committee prevented an accurate review of the then existing wasting assets and the total cost of these assets as standing in the books of the Chief Accountant was accepted as a basis, except in the case of permanent way, which was valued by the Chief Engineer on the basis of replacement cost.

35. One of the findings of this Committee was that a full life contribution in respect of Railway assets represented 8.11 per cent on the accepted capital cost of such assets and that the contribution on this basis would cover all requirements and leave a balance to the credit of the fund at the end of 100 years of £3,025,083.

36. The Committee further found that the average rate of contribution could be reduced to 2½ per cent and still leave a balance of £344,383 in the fund at the end of the 100-year period. Reduced contribution

37. Following the findings of this Committee the management reported fully to the High Commissioner for Transport (March, 1930), and recommended a reduction in the average rate of contribution to 2 per cent on Railway assets until 1946, the earliest date of redemption of the 1921 loan of £5,000,000 (Transport Administration liability, £1,245,386). This loan bears interest at 6 per cent with 1 per cent sinking fund and it was considered that any shortfall at a later date in the Renewals Fund could be met out of the saving in loan charges due to the redemption of this loan and others falling due in 1948 and 1950. Recommendations to High Commissioner.

38. In the memorandum submitted to the Secretary of State, accompanying the Transport Administration estimates for the year 1930, the following explanation of an increase in the provision for contribution to Renewals Fund was given. Memorandum to Secretary of State, 1929

"The contribution to the Renewals Fund provided for reflects an increase over the 1929 contribution of £98,638, due mainly to the fact that, on strong recommendations from the Imperial Treasury, and pending the result of the investigation of the Administration's wasting assets now in hand, it is considered desirable to increase the percentage rate to 2½—during 1929 an average rate of 2 per cent formed the basis of the Administration's contribution to this fund. Provision also has been made for new assets acquired during 1929. The contribution to the Interest Reserve Fund created in 1929 by an initial contribution in that year of £100,000, has been reduced to £50,000 owing to the necessity for tentatively increasing by £98,638 the contribution to the Renewals Fund to meet depreciation."

39. The Secretary of State, in Despatch No. 24 of 9-3-31, approved, as an interim arrangement, an annual contribution to the Railways Renewal Fund of 2½ per cent of the capital value of the wasting assets for the years 1931-1933, on the understanding— Interim arrangement sanctioned by Secretary of State

- (a) that the "life" basis is accepted as the proper one;
- (b) that the short provisions during the years 1930-1933 are to be made good in the later years, on a plan to be subject to the approval of the Secretary of State and the Lords Commissioners of the Treasury;
- (c) that acceptance of this arrangement is not regarded as prejudicing in any way the decision to be taken by His Majesty's Government in 1934 as regards the liability in respect of the cost of the original Uganda Railway.

In the same despatch the Secretary of State also approved the following recommendations:—

Marine.—Life value to be raised from twenty to thirty-three years and contributions to be made at 3 per cent; no contributions to be made after 1930 for five years, when the position should be reviewed.

Motor Services.—Life value to be calculated at five years, and contributions to be made at 20 per cent instead of 25 per cent.

Harbours.—Varying percentages, as recommended by the 1929 Committee, on page 9, Table A 4, of the Report.

40. In a later despatch, dated 27th July, 1931, the Secretary of State confirmed that the arrangements agreed upon must be considered as definite and provision should be made accordingly at the rate of 2½ per cent in 1932 and 1933 and thereafter, in the absence of any further arrangement, at the full-life rate—the short provision in the earlier years also being made good. Extension of interim arrangements

Further extension 41. The Secretary of State's telegram, dated 22-6-1933, extended the operation of the 2½ per cent contribution to the year 1934; that for 1935 to remain open pending further consideration of the Gibb Report of 1933. The Secretary of State's comments on the Gibb Report are contained in Despatch No. 867 of 4-12-34, which includes no reference to the question of depreciation commented on in that report.

Present position 42. Secretary of State's Despatch No. 20 of 21-2-1935, approving the revised expenditure instructions, states as under:—

"I observe that it is stated in paragraph 2 of the instructions that the contributions to the Railway Renewals Fund from the 1st January, 1935, will be on a life basis. As you are aware, the rate of the contribution for 1935 and subsequent years has not yet been finally decided."

Surplus balances. 43. The views of the Administration may be summarized as follows:—

(a) Contributions to Renewals Funds on a life basis must result in the accumulation of a balance which will never be required for expenditure upon renewals.

1935 Committee find 44. The report of the 1929 Departmental Committee on Depreciation demonstrated that had contributions been made on a life basis from 1931 onwards, this unrequired balance would have amounted to £18,000 by the end of 1939, and that, as time went on, this figure would have risen substantially increased.

Capital Committee 45. The state of the capital of the Administration at 31st December, 1932, and the provision of £1,686,457 provided for the construction of the original Uganda Railway, and £2,666,691 provided from revenue, has been raised in the form of loans. The total amount of such loans now outstanding is £14,139,229, on which the gross annual charge for interest is £729,157 and for sinking fund £141,340. There is a suspended liability (not admitted by the Transport Administration) for interest and redemption charges in respect of the grant for the construction of the original Uganda Railway.

Redemption of loan capital 46. The conditions under which we, as a Government Railway, have been compelled to obtain our capital, i.e. either by providing it directly from revenue or by raising it in the form of comparatively short term loans bearing high fixed rates of interest and carrying a definite annual liability on sinking fund, places a strain on our finances which has no parallel in the case of a railway company, much of whose capital is raised in the form of "shares" at variable rates of interest. In contrast to our present position is that which will obtain forty or fifty years hence. If sinking fund payments are maintained at their present figure, the railway system, as it exists to-day, will be entirely free from any interest charge. Such a state of affairs is illogical and unfair to the present users of the Railway. Every legitimate means therefore has been sought for reducing the burden which they are now called upon to bear.

1921 Loan redemption. 47. The first opportunity of redeeming any of our present loans will occur in 1946. The loan then concerned will be that of £5,000,000, raised at the rate of 6 per cent in 1921, of which this Administration's proportion is £4,245,386. By 1946 the Administration's share of the accumulated sinking fund of this loan should be about £1,800,000, so that, assuming that opportunity is taken to redeem in that year by the raising of a fresh loan, the Administration's annual liability will be reduced by £126,000, plus, it is hoped, a further substantial sum by way of lower interest charges.

Reduction of Railway contribution to 2 per cent. 48. A reduction of the rate of contribution to Renewals Fund to 2 per cent in respect of Railway wasting assets, from 1931 until 1945, would have resulted in an accumulated shortage on a life basis of £1,959,585, roughly equalling the unrequired balance referred to in (a) above. The Administration proposed that this rate of 2 per cent

should be adopted until 1945, after which contributions should be raised to a life basis, involving, on the 1933 calculations, an additional annual charge of £131,759, which would be covered by the reduced liability in respect of the £5,000,000 (1921) loan. The adoption of this proposal would have laid up no liability for the future, although, in view of the position set out in (a) above, the Administration would not have regarded a proposal to transfer part of the burden of the present day to future years, which will be free of loan liabilities, as entirely illegitimate.

44. After considering the above proposals, however, the Secretary of State, as reported in paragraph 20, ruled that contributions must continue at the rate of 2½ per cent (the rate provided in the estimates for 1930) until 1933, and that from 1934 onwards they must be raised to a life basis.

45. In reply to representations made in March, 1933, the Secretary of State modified this ruling by agreeing that the present rate of 2½ per cent could be continued during 1934 and that a final decision could be come to after consideration of Mr. Gibb's recommendations. This is previously referred to in paragraph 41.

46. After the closest study of Mr. Gibb's proposals in his report dated September, 1932, the Administration saw no reason for altering its original recommendation that, so far as existing railway assets are concerned, the rate of contribution should be fixed at 2 per cent until the year 1945 and thereafter raised to a life basis.

47. Failing acceptance of this proposal, it recommended that, with the approval of the Secretary of State in each specific case, the unrequired balance of the Renewals Fund should be invested in the purchase of additional railway assets (i.e. that it should be used in much the same way as a betterment fund).

48. The Administration preferred a rate of 2 per cent until 1945 as proposed to a rate fixed on a life basis, with the proviso that unrequired balances could be invested in the purchase of additional railway assets, for the reason that while the former would leave a margin of net revenue available for any urgent purpose, such as the building up of a reserve, the latter would seem to be an incentive to launch out into expenditure which might not be incurred were funds not so easily obtainable.

49. The Administration's recommendation with regard to a reserve fund depended upon the decision come to in connection with the rate to be charged for depreciation.

If this rate was fixed on a life basis, and if the unrequired balance could not be spent on the acquisition of additional railway assets, then the Administration considered that no further reserve was required, and pointed out that no such reserve has been found to be necessary during the depression, which has been one of the worst in history, although contributions to Renewals Funds were not commenced until over 20 years after the construction of the original line and have never yet been on a full life basis. Prior to the establishment of Renewals Funds, the extent to which renewals were undertaken depended on revenue available, as they were a direct charge against revenue earned. Furthermore, as the funds were not established until some 20 years after construction of the original line, it may be argued that present contributions are higher than would otherwise have been the case. Paragraph 11 refers in this connection.

50. If the present rate of 2½ per cent is maintained for a further period of years, the Administration would regard the reserve of £600,000, already laid down by the Secretary of State, as ample, even excessive, for any possible requirements.

Maximum 51. On the other hand, if the rate of 2 per cent until 1945 is accepted, or if contributions are made on a life basis but unrequired balances are recognized as being available for the purchase of additional railway assets, the Administration recommended building up a reserve fund to the amount of £1,000,000.

Present position 52. The position at the time of writing this report is that the Transport Administration has repeatedly sought a reduction in contribution to Renewals Fund on railway assets to 2 per cent until 1945, or at least 1940 when a further review of the funds was contemplated. The Secretary of State has not yet been able to accept these suggestions, and has not yet approved the 1935 contribution to Renewals Funds, neither have the 1936 estimates received sanction.

Matters leading up to appointment of Second Committee 53. The lives fixed by the 1929 Committee proved, in most cases, correct, but doubts arose shortly after this first examination as to what extent provision had been made for partial renewals, group renewals, and renewals of assets acquired as direct charges to revenue. Also, it appeared likely that various non-wasting assets, built during original construction, had been included in the list of wasting assets.

Original capital costs 54. Reference to the statements of valuation of wasting assets, maintained by the Accounts Department, were of little value, as no details of individual items were registered. Also reference to departmental records were again useless, as no complete records of all the assets, with their individual values, were maintained.

Old registers of wasting assets 55. Building and bridge registers were in existence but the latter had no values entered against the items. Rolling stock registers were also in existence but these again contained no values and, in the majority of other assets, no lists were maintained at all.

Revision of registers 56. It thereby became obvious that proper registers of all wasting assets were necessary before the adequacy, or otherwise, of the Renewals Fund could be realized. Orders were therefore issued early in 1934 to prepare registers and collect data preparatory to the appointment of a further Committee of Enquiry. The Engineering Department, in anticipation of this, had started revising their building register in 1932. The work of compiling and indexing registers was completed by the end of 1935. Your present Committee commenced their deliberations on the 10th October, 1935.

IV. 1935 COMMITTEE.

Determination of lives to be adopted 57. The first matter for consideration after the completion of the registers was the examination of the lives of the assets that were suggested by the different departments, and to determine what lives should be adopted.

Basis of lives 58. In fixing lives little reference was paid by us to the lives adopted by other Railways, as sufficient data now exists on this Railway to enable a close assessment of lives under the particular conditions which apply here to-day, or are likely to apply during the next five years.

Bridges 59. The lives of major bridges have been extended over those adopted by the 1929 Committee —

	1929	1935
Steel	50 years	66½ years
Concrete and Masonry	100 years	200 years

Minor bridges remain at 100 years except for corrugated iron culverts which have been placed at 30 years.

Fencing 60. Fencing in 1929 was placed at 12½ years. This, on further examination of actual fencing, has been extended to 30 and 20 years according to class of fencing.

61. The Government Chief Telegraph Engineer made a detailed survey of all equipment and recommended the various lives shown in the list of classifications. The 1929 assessment took no account of the difference in lives between steel and wooden poles or wires, and was not the result of a detailed investigation. Telegraphs

62. The lives of the different components of permanent way have not been altered materially, but rail joints are now shown as separate items and branch line lives are now differentiated from main line lives and have been extended; these amendments have followed as a result of actual experience. Permanent way

63. The lives of temporary buildings have been extended from 25 to 30 years but permanent buildings have been shortened slightly from 100 to 90 years. Partial renewals of roofs and floors have been allowed for, where necessary. Buildings

64. Station machinery has been given varying lives according to the nature of the asset. In 1929 all items under this head were given the same life of 23-2-9 years. It is now found that the lives under this head vary from 100 to 15 years. Station machinery

65. Water supplies, previously classed as station machinery, have been treated as a separate subhead. Water supplies.

The lives attached to pipe lines, calls for comment. It has been found that pipe lines laid just on 40 years ago are still in good condition; this is contrary to other local experiences. We, however, recommend following our own experience and place the lives at 40 years; it is possible that with larger pipe lines, another classification may have to be added. Most of our pipe lines at present are of G.I. pipes, varying from 4 inches to 24 inches diameter.

66. Plant and workshop machinery have been divided into many classes of varying lives, instead of one class, in the 1929 valuation. Plant and workshop machinery.

67. On the advice of the Locomotive Superintendent, who was acting as Chief Mechanical Engineer, we have extended the lives of locomotives from 20 to 25 years. In 1929 the lives of locomotives were placed at 25 years, but this allowed for one intermediate boiler replacement. This was equivalent in contribution to the Fund on a life of 20 years. Locomotives.

The Locomotive Superintendent states that, in actual practice, this intermediate boiler replacement has not been required; generally speaking, throughout the country the quality of the water used in the boilers is such that little or no deterioration on that account takes place, and boilers therefore will last out the engines they serve.

68. We have recommended no change in the lives of carriages and wagons, as practice has borne out the theoretic lives placed on these assets by the 1929 Committee. Carriages and wagons.

69. Lake piers and jetties have now been classified according to the materials of which they are built and, consequently, have varying lives; previously the lives were based on the weakest material used, namely, timber. Jetties and ferries.

70. The lives of the major craft have not been changed, but it has been found necessary to shorten the life of light plated shallow draft vessels; previously marine workshop machinery was included with the floating plant and its life was, therefore, placed too long. It is now classified under varying heads with appropriate lives. Lake Marine vessels.

71. No important alterations in the lives of major harbours assets is recommended, but the greater detail of the classification of the assets has led to more discrimination in fixing lives of many of the lesser assets. Harbours.

Replacement costs 72. The next problem that arose was in attaching values to items acquired in pre-war times. In many cases no original individual costs were known and, in other cases, the original costs bore no relation to present-day replacement costs. It was therefore decided that though original costs, where known, were to be recorded, that a valuation of present-day replacement costs should be also made and recorded.

Renewal Funds 73. On examination and after careful consideration of the replacement costs, as compared with original costs, we decided to recommend that the former should be adopted for the purpose of assessing the annual contribution necessary to maintain adequate Renewal Funds, and our figures consequently have been based accordingly.

Basic of contribution to follow withdrawal 74. It may here be noted that withdrawals from the Fund have always been on the basis of present-day replacement costs, so it is only logical to build up a fund on the same basis.

Current views of requisited authorities 75. In this connection it is interesting to note some current views on the replacement cost basis of contribution.

SOUTH AFRICAN RAILWAYS.

Sir Guy Granet's Commission, 1934.

"We consider therefore that the question of the financial provision for renewals should be reviewed, and that the general basis for annual charges should be the current net replacement cost of the assets in service, divided by the estimated lives of such assets."

Report of Sir Felix Pole on Egyptian State Railways, 1935.

"Such funds should be based on the ascertained life of the different classes of wasting assets, and the probable cost of replacement, with due regard to the possibility of the plant becoming obsolete before its life has expired."

Assessment of replacement costs 76. Lives in 1934 and 1935 were definitely low, so, to provide a margin of safety, the average values attached to the assets have been put at 10 per cent over present-day prices.

Time-expired machinery 77. A point that arose from the examination of previous withdrawals from the Fund and statements of overdue renewals, was that little use was being made of the Fund for replacing time expired machinery. Machinery was provided for in the Fund but, owing to the large number of individual items, under existing regulations, could not be renewed from the Fund except as group assets and the group classification does not appear to have been suitable. It will be seen from Appendix No. 5 that the minimum value of an asset to be renewed from the Fund is £250. We therefore recommend that for machinery the minimum value be placed at £100, and all our calculations have been made on the assumption that this will be agreed to.

Utility of registers 78. It is worth noting here that the registers, as now compiled, have a very definite value in themselves, quite apart from their value as a catalogue of wasting assets. For example, many contain detailed descriptions of the items and details of maintenance costs.

Examination of registers 79. We have examined all the registers in detail and have formed the opinion that the work of compiling them has been most efficiently and thoroughly carried out, with the result that most accurate and useful data is now available. Whenever possible the valuations have been made on units of quantity as against items. For example, bridges are valued on cube feet of concrete or masonry and tons of steelwork. Buildings are valued according to class, at a price per cube foot of capacity, whilst locomotives are valued at the average cost per lb. of tractive effort.

Classification of wasting assets 80. Appendix No. 1 gives a full list of all classifications of assets under two groups, Railways and Harbours. We strongly recommend the amalgama-

tion of the three existing Railways Funds, namely Railway, Marine and Motor Services. We can see no advantage in the existing discrimination and much against it. Our tables and calculations are therefore based on only two funds, Railways and Harbours.

81. Appendix No. 1 of classifications shows the detailed classes departments found it necessary to divide their assets into to cover the varying lives and partial and group assets. Detailed classes

82. Points and crossings and turnout sleepers are allowed for as group assets, also many other small items. Ballast though contributions are based on a 30 years life, is renewed at the rate of 1/3rd every sixth year, instead of a full renewal every thirtieth year. Group assets

83. Partial renewals are allowed for by treating the short lived portion of the asset as a separate asset and assessing the main asset without the inclusion of the short lived portion. Wherever possible the short life has been placed as a definite proportion of the main life. Partial renewals

84. In every case of second-hand assets the contribution has been calculated on a full new replacement cost for a full life, so that at the end of its second-hand life it can be renewed by another second-hand asset from the fund accrued, or a new asset partly subscribed to from new capital. Assets acquired second hand

85. Normal obsolescence has been taken into account in fixing the lives of assets. The estimated life is not, necessarily, the life at which the asset will become completely worn out but is the life during which the asset can be made to render useful and efficient service. The chief items where obsolescence is of considerable importance are locomotives, prime movers and all classes of machinery, and we consider that the lives we have recommended for these classes of assets provide the necessary safeguard against normal obsolescence. Normal obsolescence

86. Exceptional obsolescence is not allowed for, nor do we recommend so doing. If new inventions and discoveries render certain assets uneconomical to retain, a case for new capital expenditure would be justified and the only part of the expenditure for these new assets chargeable to the Renewals Fund should be the accrued depreciation on the time expired portion of the life of the abandoned asset, the unexpired life being dealt with as provided in the Expenditure Instructions, 1934, Part I, Section 2, para. 3, which states as under:—

"3. With the sanction of the Secretary of State an exceptionally heavy charge against Net Revenue Account in respect of assets withdrawn and not replaced may be spread over a number of years instead of being met in full in the year in which the assets are retired."

87. Though the compilation of the registers was a long and laborious task, the actual investigation from the registers subsequent to their compilation was very easily and quickly accomplished, entirely due to the utilization of the Hollerith Sorting and Tabulating Machines. The punching of Hollerith cards from the registers of assets occupied four punchers 160 hours, and the time occupied in making these analyses on the Sorting and Tabulating Machines was 40 hours only. Investigation following completion of registers.

88. A period of 500 years was chosen in order to cover at least two renewals of the longest lived assets. With the aid of the machines the difference of cost of making an examination over 500 years instead of 100, as was done in the first Committee of Enquiry's Investigation, was infinitesimal. Period investigation covered

89. As soon as the registers were completed, Hollerith cards were punched for each asset. With the object of first summarizing the assets under the charge of the Chief Engineer in such form as to permit of calculating Utilization of Hollerith machines.

the date of renewals over a period of 500 years, the first Hollerith card was designed to provide the following information:—

- (a) Railway or Port asset
- (b) Major or secondary asset.
- (c) Point reference
- (d) Classification
- (e) Estimated life
- (f) Year installed
- (g) Cubic feet

The card used for summarizing the assets of the Mechanical and Transportation Departments provided the following information:—

- (a) Class of asset
- (b) Number of asset
- (c) Year installed
- (d) Estimated life.
- (e) Annual renewal contribution
- (f) Replacement cost

It will be observed that the first card for Engineering Department assets did not provide for annual contribution or replacement cost, this for the reason that the information had to be calculated from the tabulations produced from the first card.

The punched cards for all departments were then sorted and tabulated to give a statement of groups of assets under their year of installation. This was done to minimize the time required to extend the frequency of renewal of individual assets over the long period essential to this investigation. The group assets were then extended over the 500 year period, with the frequency of renewals, the Engineering Department assets being valued on the statements in respect of replacement cost and annual contribution. From this statement a second set of Hollerith cards was punched, one card for each renewal year for the asset or group of assets, as falling due for renewal throughout the 500 year period. These cards included the following information:—

- (a) Year installed.
- (b) Quantity.
- (c) Replacement cost.
- (d) Estimated life.
- (e) Annual contribution.
- (f) Classification.
- (g) Number of the renewal.
- (h) Renewal year.

The following tabulations were then produced:—

- (a) Summary of wasting assets showing the type of asset, replacement cost and annual contribution.
- (b) Summary of assets showing year of installation and life of asset for accrued depreciation.
- (c) Summary of annual renewal costs over a period of 500 years.
- (d) Summary of life expired assets showing replacement cost and annual contribution on life basis.
- (e) Summary of assets due for renewal in each year from 1936 to 1941 inclusive.

90. From Table R.1 it will be seen that though the total values and the total contribution to the fund show comparatively little difference between the two assessments, under individual heads large differences occur. The explanation of these differences is as follows:—

RAILWAY

Table R.1.

Value of Wasting Assets on 1929 Estimate of Original Cost and Annual Contribution to Renewals Fund on Full Life Basis (1929 Life Valuations)		DETAILS OF ASSET	Value of Wasting Assets Based on Cost of Replacement Assessed in 1936 and Annual Contribution to Renewals Fund on Full Life Basis		REMARKS
Original Cost	Annual Contribution		Replacement Cost	Annual Contribution	
£	£		£	£	
904,966	12,066	Bridge Work— Major Bridges	703,159	8,808	Various non-wasting assets previously included
574,766	5,748	Minor Bridges	268,221	1,707	Minor culverts renewable from revenue now excluded.
20,156	1,012	Fencing— Fencing	21,741	826	
82,940	5,791	Telegraph— Telegraph		2,441	Detailed recalculation of cost of Tel. Eng.
46,201	2,616	Instruments	46,752	251	
4,331,606	129,948	Permanent Way Stations and Buildings	4,569,110	126,192	
95,122	3,805	Temporary Permanent	939,731	8,015	
507,634	5,076	Workshop and S.	761,893	10,000	
175,465	7,019	Staff Quarters— Temporary	226,160	7,569	
1,218,768	12,188	Permanent	1,667,299	16,169	
469,864	22,041	Station Machinery	318,320	7,062	Previously included in main buildings which are now included under their correct heading.
1,107,503	55,375	Rolling Stock— Locomotives	1,222,000	48,360	
2,449,610	81,654	Carriages and Wagons	3,041,725	101,741	
44,461	6,669	Plant— Engineering	37,732	2,548	
172,068	11,471	Locomotive	205,859	11,430	
8,013	401	Transportation	60,534	2,809	Now includes plant of Marine and Motor Services.
8,791	352	Stores			
220,426	8,817	Jetties and Ferries	91,005	4,445	
489,441	14,683	Steamers, Tugs, Lighters, etc.	587,960	23,533	Previously included plant.
27,627	5,525	Motor Lorries, etc.	18,050	1,850	Doitto.
13,312,133	397,599		£ 13,598,800	391,178	
	= 2.99%			= 2.88%	

91. The difference of £200,000 in major bridges is for two main reasons: Bridge work.

- (a) The high cost of original bridgework on the 1895 to 1903 first construction, and
- (b) The inclusion of extensive temporary diversions and bridges during the original construction.

Another quite large item of difference is on account of expensive forms of transport on original construction that will not occur again on replacement.

The large difference in minor bridges is partly on account of the reasons given for major bridges above, and partly on account of omitting many culverts which are, in practice, invariably replaced from Revenue sources during the ordinary course of maintenance, and have an individual value of under £250.

Telegraphs	92. The main difference under this head is in the increased cost of wire at the present time over the pre-war cost.
Permanent way	93. The reason for the comparatively small difference in valuation and in contribution occurs, due to the fact that, in both 1929 and 1935 assessments, replacement cost and not original cost was taken as the basis.
Stations and buildings	94. The considerable differences under these heads are on account of the following causes: (a) Wrong allocation in the 1929 assessment as between permanent and temporary buildings. (b) The inclusion of certain buildings under station machinery in 1929, which are now included under their correct building heading. (c) The inclusion of certain buildings under piers and jetties in the 1929 valuation. These buildings were taken over from the Uganda Government with the piers that they serve.
Quarries	95. The differences here are mainly on account of the variation in values between pre-war costs and present-day replacement costs, and the inclusion in 1935 of certain temporary and permanent buildings, built out of revenue and excluded from the 1929 valuation.
Station machinery	96. The reduction under this head is accounted for by the transfer of two sheds and carriage examiners sheds to the buildings heading.
Rolling stock	97. The increases throughout this heading are entirely on account of the large increases in cost between pre-war and post-war assets.
Engineering plant	98. The 1929 valuation appears to have included certain items of construction plant which should have been charged out to their proper construction headings and, in fact, retained as items of plant retained by open lines for maintenance purposes after construction.
Locomotive plant	99. The difference, as in the case of rolling stock, is due to the low cost of original pre-war plant.
Transportation plant	100. This heading now includes workshop plant, previously shown under Marine and Motor Services.
Jetties and ferries	101. The big reductions shown here are on account of the previous inclusion of extensive non-wasting assets in the form of earthworks which are entirely maintained from Revenue, and further, by the inclusion of certain buildings referred to above, taken over with the piers from the Uganda Government.
Exclusion of non-wasting assets from Harbour assessment	102. From Table H.1 (Harbours) it will be seen that main difference in the Harbours assessment is on account of omitting certain items from the Fund which are, in fact, non-wasting assets. Kilindini Old Pier has been omitted as it is a permanent gravity type wall, of the same type of construction as the deep-water quay, which is already treated as a non-wasting asset. Fenders have been omitted as it is considered that they should be replaced from Revenue. Macadamized roadways have been omitted as they will be kept in repair from Revenue and therefore will not need replacement.

HARBOURS

Table H. 1.

Value of Wasting Assets on 1929 Estimate of Original Cost and Annual Contribution to Renewals Fund on Full Life Basis (1929 Lives)	DETAILS OF ASSETS		Value of Wasting Assets on 1935 Estimate of Cost of Replacement and Annual Contribution on Full Life Basis (1935 Lives)		REMARKS
	Original Cost	Contribution	Replacement Cost	Contribution	
£	£		£	£	
70,490	1,057	Kilindini Old Pier	Omitted	—	Non-wasting Asset.
23,102	693	Wharves and Jetties	27,300	578	Includes landing pontoon.
1,903	190	Fenders	Omitted	—	Replaced from Revenue Funds.
96,256	2,888	Railways and Sidings	105,226	5,220	
188,331	9,417	Electrical Installations, Cranes and Equipment	166,656	6,766	
19,615	588	Crane Roads	16,991	718	
39,719	3,972	Macadamized Roadways	Omitted	—	Non-wasting Asset. Replaced from Revenue Funds.
64,310	3,215	Tugs, Launches and Pontoons	70,066	3,857	
27,180	2,038	Lights, Buoys and Beacons	16,792	1,127	Previously included in Minor Assets and Non-wasting Assets
5,492	165	Water Supply	2,386	121	
94,634	1,893	Transit Sheds and Goods Sheds	310,588	5,938	Transit shed previously included Non-wasting Assets (£75,000).
348,922	3,489	Brick Transit Sheds			
4,068	122	Fencing	2,976	71	
13,774	551	Stations and Offices, etc.	18,268	431	Included with Goods Sheds
6,489	132	Godowns			
41,051	411	Staff Quarters Workshops	50,774	869	Previously included under Goods Sheds.
			9,392	164	
£1,045,336	30,819		£ 796,425	25,280	
	= 2.95%			= 3.17%	

103. A considerable difference will be noticed in the replacement values shown against transit sheds and goods sheds. Extensive pile foundations have been omitted from the valuation as it is considered that these foundations more properly should be treated as non-wasting assets. File foundations.

V.—RESULTS OF INVESTIGATION.

104. From the information provided from the Hollerith tabulations, Diagrams Nos. 1 and 4 and Tables Nos. R.3, H.3, R.4, and H.4 (which are shown as Appendices Nos. 2 and 3) have been prepared. Diagrams and tabulations.

105. Diagram No. 1 gives the condition of the Railway Renewals Fund for 500 years, on the basis of full life contributions on replacement costs on all present wasting assets. It will be noted that at all times there is a surplus over requirements, and that the surplus is increasing. The lowest points in the Fund occur in 2081, £1,000,000; 2235, £1,500,000; 2381, £2,000,000. For all practical purposes no note need be taken of this Diagram after 2081, beyond noting the fact of the ever increasing surplus. Diagram No. 1.

On Diagram No. 1 the solid column expenditure shown for the year 1935 is overdues, and this is also shown hatched, indicating the alternate spread of overdue expenditure over the years 1936, 1937 and 1938. On the line showing the balances in the Fund, the dotted line from 1935 to 1938, is what would have been the condition of the Fund had all overdues been overtaken by 1935.

Tables of expenditure and balances

106. Tables Nos. R 3 and H 3 give the actual figures under main sub-heads of expenditure and balances in the Fund for 25 years; this period was chosen as it covers the heavy expenditure from 1955 to 1960, and also covers the period when reduced fixed charges from Loans are expected to occur in 1946-50.

Tables of expenditure under individual classification

107. Tables R 4 and H 4 give complete details of expenditure under each individual classification for the six years 1936 to 1941 inclusive, and also show the overdue expenditure at the 31st December, 1935. Six years was chosen for detailed tabulation as it covers the period intervening before the next examination of lives and rates. Similar information for the succeeding 15 years is being tabulated for departmental use but is not published.

Diagram No. 4. Harbours

108. Diagram No. 4 is the parallel Harbour diagram to Diagram No. 1 for Railway, but in this case the examination was only for 200 years, because this period covers two renewals of the longest lived Harbours asset, and also after examining Diagram No. 1 it was decided that no further useful information would be gained by prolonging the period of review. This diagram again indicates the presence of surplus funds on an increasing scale.

Overdue renewals of theoretical time-expired assets

109. Tables Nos. R 4 and H 4 also show in detail the theoretical overdues at 31-12-1935, explanation of which follows below.

Ballast

110. The renewal of £47,239 worth of ballast was overdue at the end of 1935, but the programme of renewals for 1936 will reduce this outstanding to £7,866 at the end of 1936.

Sleepers

111. Steel and wooden sleepers are being renewed on a two year programme, and all overdues will be overtaken by the end of 1937.

Rail joints

112. The renewal of rail joints is shown as being £118,580 in arrears, actually only £14,380 are in urgent need of immediate renewal and these are being renewed on a sanctioned schedule which will be completed in 1937. An additional £80,000 worth of joints will be needing renewal during the next six or so years, and it is questionable whether the £22,700 set aside for renewal of rail joints in sidings, will ever be required. This is a matter that should be examined in another five years.

Points and crossings

113. Overdue renewals of points and crossings and turnout sleepers are being dealt with and are almost covered by the Renewals Programme.

Buildings

114. The whole of the overdue renewals in complete buildings is on account of buildings of a semi-temporary character. £48,000 represents stations, offices, goods sheds and workshops built in wood and galvanized iron, whilst £118,000 represents the replacement cost of European, Asian and African housing, built in wood and galvanized iron during the original construction of the old main line. Towards the replacement of the former £1,100 is being spent in 1936 and £15,200 towards the latter. Part of the delay in renewing these buildings is that to bring them up to modern standard requires additional funds to augment their renewal value, and these funds have not been available.

Lake piers and jetties

115. These assets are actually in need of replacement to an extent equal to the sum shown as arrears. Their replacement is now being undertaken where still required.

Rolling stock

116. Taking coaching and goods stock as a whole, some £447,000 of stock is overdue for renewal and an extensive replacement programme has already been sanctioned which provides for some £240,000 worth of replacements over a 3-year period. A considerable quantity of the balance will be written out against the Fund in 1936 as no longer required. The remaining life expired rolling stock consists, mainly, of service vehicles and platform wagons used in the Harbours area, all of which, owing to their light use, can still be classified as live assets.

117. Overdues

Engineering	£13,670
Mechanical	54,973
Transportation	15,052
	<hr/>
	£83,695

Machinery and plant.

Your Committee is of opinion that a special investigation into these overdues is necessary. The lives placed against machinery and plant items seem very reasonable and, if so, the overdues are abnormal, amounting, as they do, to 30 per cent of the total value of total machinery and plant.

118. Lake Marine vessels have heavy overdues. This is accounted for by one ship which is now being written out of service, and by one light draft vessel and one sea-going tug, that have reached the end of their theoretical life. The former has received a recent heavy overhaul and will last some years yet, the latter has been placed in the same category as the standard Lake Victoria tugs, but is, in fact, a far heavier type of vessel and might reasonably have been placed in a category to itself. It will probably have some years of life left yet, though it was bought as a Mombasa Harbour tug in 1897. There are also overdues in lighters but these are of course of renewal.

Lake Marine vessels

119. The Harbour assets are comparatively light. £15,000 in permanent way is the heaviest, and a quarter of it up overtaken in 1936, the balance will probably be overtaken in two or three years' time. £12,000 in floating plant is on account of pilot launches and motor boats; one of the former is in process of replacement at present.

Harbour assets

120. In considering all overdue expenditure it must be borne in mind that most pre-war assets had very light use made of them during the first fifteen years of their existence. In fixing the lives of all assets for the purpose of this enquiry, we of necessity have had to base "lives" on present-day condition and wear. This of course has a very direct bearing on the heavy list of apparent overdues.

Light use of early assets

121. Lag in expenditure can be caused by two factors -

(a) Lives being underestimated

(b) A larger quantity of assets becoming due for renewal at the same time than the facilities available on the Railway could economically deal with.

Lag of actual expenditure behind anticipated expenditure.

The first should gradually disappear as more accurate knowledge and experience is gained.

The second will always occur at intervals and it would be uneconomic to have special plant and workshops to meet these occasions, also there would be the difficulty of picking up suitable staff to deal with these fluctuations. A typical example of this can be seen from an examination of Diagram No. 1; between the years 1955 and 1960 extremely high expenditure is shown, which will, undoubtedly, be spread over a further five years to 1965.

We do not suggest any reduction in contribution on account of the surplus that will accrue from this latter factor, but it will have to be dealt with periodically as the lag, due to underestimation of lives, will be more than enough to cover overestimation.

122. The diagrams and tables clearly show that though a full life basis contribution will always provide an excess of funds over requirements for replacement purposes, no simple percentage cut annually applied will deal

Facts disclosed by diagrams and tables.

surpluses and they therefore must be dealt with periodically as they arise, or foreseen, in the manner most beneficial at the time. An annual surplus of £700,000, less a safe margin in the Fund would be so small as to be nearly offset by the annual expenses, owing to the long periods of high wear and tear, to be spread. For example, from the Railway Investment Corporation's £1,000,000 that is surplus from 1936 to 2081 by the year 1960, from 1960 onwards, would only mean the reduction of the contribution to a minimum. Diagrams 2 and 4 show clearly that there are surpluses of £1,000,000, £1,140,000 in the Railways and Harbours respectively at the present time.

Debit on 123. It is pointed out in many years that these surpluses did, in fact, exist and it is also recommended, owing to the comparatively light withdrawals stipulated in the Renewals Fund during the next ten or so years, that advantage of this fact should be taken and reduced contributions to the Fund should be made until relief from some of the loan commitments was available in 1946 and 1948, the shortage in the fund caused by these reduced contributions to be made up in subsequent years when the lightest loan charges made the additional depreciation charges possible.

Special deductions from Diagram No. 3
124. Diagram No. 3 bears out both of your contentions. In this diagram it is shown that a sum of £654,130 (which is the sum required in 1936 to bring the General Reserve Fund up to £1,000,000) can be withdrawn without detriment to the Renewals Fund, and that full life contributions can be reduced for twelve years by 30 per cent, to be made up subsequently. Seventy per cent of the full life contribution is approximately equal to the 2 per cent of the value of wasting assets referred to in paragraph 37, and in subsequent paragraphs. To balance this reduction an increase over the life basis of 5 per cent for 72 years would be necessary, in the absence of adequate additional contributions on account of new assets. We have only shown it for 50 years on the diagram, so as to absorb the difference between the £1,000,000 surplus and £654,130.

(Note.—In Diagrams 2 and 3, in order to accentuate the surplus balances, we have plotted expenditure and contributions below the datum lines on the charts.)

Further deduction from Diagram No. 2.
125. Reverting to Diagram No. 2, it will further be seen that, with new assets being acquired, a possibility of a second million pounds of surplus in the future is indicated. It would only require the acquisition of new assets and progressive capital betterments of existing assets to raise the balance line in the years 1961-62, 1991-95 and 2026-34 above the £2,000,000 balance mark. In actual fact, if new assets averaging £16,000 per annum are acquired between 1936 and 1960, the surplus balance in the fund would be £2,000,000 by 1960.

Disposal of surplus balances.
126. We make no definite recommendations as to the disposal of surplus renewal balances as we consider that it hardly comes within our terms of reference. We do, however, indicate means that could be employed in dealing with them and we are of the opinion that surplus balances should not remain indefinitely in funds designed for specific purposes, viz. to cover replacement of wasting assets. If these surpluses can never be required for this purpose there are other suitable funds which could benefit by them, such as General Reserve, Betterment Funds or Loan Redemption. So far as utilizing these surpluses for rate reductions is concerned, we do not recommend the practice, though we can see no objection to temporary reduced contributions to the Fund to balance a stated period of heavy fixed charges, provided the short fall can be guaranteed in subsequent years and it could be proved that, allowing for the reduced contribution, every liability on the Fund could still be fully met during this period.

VI—OTHER MATTERS REFERRED TO IN TERMS OF REFERENCE OF 1929 AND 1935 COMMITTEES.

127. In order to complete the review we have extracted information giving the accrued depreciation on wasting assets as at 31-12-35, based on replacement costs and revised lives recommended in this Report. These figures are included as Appendix No. 4, from which it will be seen the position is as under:—

Accrued depreciation at 31-12-35:—		£
(a) Railways (Railway, Marine and Motors)		5,145,135
Less: Amount in Renewals Funds		1,592,469
	Theoretical Shortfall	£3,612,666
(b) Harbours		237,537
Less: Amount in Renewals Fund		181,792
	Theoretical Shortfall	£55,739
	Total	£3,668,405

128. These figures, considered with the remainder of this Report, show that, had the various funds been contributed to in full to date, the unrequired balance in the funds at the 31st December, 1935, would have been:—

(a) Railways	£4,600,000	Surplus balances
(b) Harbours	196,000	
Total	£4,796,000	

We are unable to advance any practical arguments in favour of the creation of a position of the nature demonstrated above, but have deemed it desirable to place on record the argument surrounding the question of the earning power of cash and invested balances.

Assuming distribution of such balances as at 31-12-35 in Renewals Funds as under:—

(a) Bank current account	£200,000
(b) Joint Colonial Fund	500,000
(c) Invested	1,014,267
Total	£1,714,267

interest accruing would be:—

(a) Bank current account	3,007
(b) Joint Colonial Fund	10,050
(c) Invested	35,810
Total	£48,867

Had the full amount of accrued depreciation been in the Funds at 31-12-35, the distribution would have been as under:—

(a) Bank current account	200,000
(b) Joint Colonial Fund	500,000
(c) Invested	4,682,672

Interest accruing on these amounts calculated on the same basis as before would be

(a) Bank current account	3,007
(b) Loan Colonial Fund	10,050
(c) Invested	165,327
Total	£178,384
Increased Annual Income from Interest	£129,517

Equalization
of fixed
charges

129. Although interest accruing on Renewals Funds balances is actually credited to Net Revenue Account, it is clear that the amount of Revenue to be earned on Working Account to provide funds to cover working expenses which include depreciation and surplus, would be less by £129,517. As the aim is to relieve the present users of the Railway until such time as loan charges fall, the argument set out above is theoretical only and merely serves to demonstrate the futility of creating unrequired surpluses when capital is being systematically redeemed. The aim of a Renewals Fund should be the equalization of the annual charge and the creation of an adequate reserve to meet actual renewal requirements.

Expenditure
against
accrued
depreciation.

130. In view of our recommendations we are unanimously of the opinion that accrued Funds, other than proved surpluses, should only be used for replacing life expired assets, or for financing the writing out of life expired assets no longer required.

Extent, if any,
that contribu-
tions to
Renewals
Funds may be
reduced on
account of
Sinking
Funds.

131. We have noted that both Colonel Hammond and Mr. Roger Gibb consider that some relief may be given on account of Sinking Funds.

We are of the opinion that such relief cannot be given purely on the grounds that because full provision for ultimate loan redemption is made, therefore there is no necessity to provide for full depreciation of the assets. Any reductions in contributions that can be permitted must be designed to coincide with anticipated withdrawals from the Fund and not on an arbitrary reduction which might leave a shortage in the Fund that prevented withdrawals when due.

Sinking Funds are not, necessarily, based to coincide with the lives of the assets purchased from the loan they redeem, and frequently the assets will require renewing before the loan from which they were acquired has been redeemed.

This opinion is not contrary to our stated opinion that reductions under certain conditions, which take into account withdrawals from the Funds, can be made provided any shortage that is required to maintain the stability of the Fund is made up subsequently.

Marine
Insurance
Fund.

132. We have examined the question Marine Insurance referred to in your EP. 1651 of 8.10.35, and consider that, though it was a wise and necessary precaution to take when the Railway revenue was so small that the loss of a ship would have had a very serious effect on the annual finances of the Administration, with the expansion of the Service this safeguard is no longer necessary. The possibility of a loss of more than £50,000 in any one year is remote, and a loss of £50,000, if not convenient to meet in one year, might be spread over a period of years with the Secretary of State's sanction, as was done in the case of the write out of E.B. engines.

RECOMMENDATIONS.

1. That the basis of contribution to the Fund be on replacement costs in place of original costs. This is urgent and should be adopted forthwith, to operate from the 1st January, 1936 (see paras. Nos. 72 to 75).

2. That the revised lives and valuations be accepted. This is also urgent and should be adopted forthwith to operate from the 1st January, 1936 (see paras. Nos. 72, 73, 76).

3. That the minimum value of assets included in the Fund should be £100, in place of £250, in the case of workshop machinery and certain items of plant noted in the schedule of classifications. This is urgent and should be adopted forthwith (see para. 77).

4. That two Funds only be maintained in the published accounts (a) Railways—including Marine and Motor Service—and (b) Harbours (see para. No. 80).

5. That the Marine Insurance Fund should not be re-opened (see paras. Nos. 20, 21, 23 and 132).

6. That obsolescence be only catered for to the extent of basing lives on the period that the asset can render useful and economic service, though quite possibly the asset will not be worn out at the end of the period (see paras. Nos. 85 and 86.)

7. That partial renewals of assets should only be permitted in cases where partial renewal has been allowed for in assessing contributions (see para. No. 83.)

8. That premature renewal should be allowed if the asset is definitely worn out (but not on account of obsolescence—Recommendation 5).

9. That very definite instructions be issued to departments to safeguard completely the maintenance of the registers of wasting assets (see paras. Nos. 54, 55, 56, 60 and 74).

10. That consideration be given to the extension of wasting asset registers to include maintenance costs where it is advantageous so to do (see paras. Nos. 54, 55 and 74).

11. That lives and costs should be examined and re-assessed, where necessary, every five years, and should be reviewed on intermediate time when market upheavals occur.

12. That the whole fund should be reviewed every ten years, the next review to be completed in 1945, and at these tri-annual reviews withdrawals of surplus funds should be made, or such other adjustment in contribution, as may be most advantageous at the particular time. On the other hand, if a shortage in the Fund is revealed at these reviews, steps would be taken to make good this shortage by, either, the transfer of a lump sum to the Fund or by increasing the contributions of the future.

13. That a Standing Renewals Fund Committee be formed, composed of the Chief Engineer, the Chief Mechanical Engineer and the Chief Accountant, a Chairman being appointed from time to time from that number, by the General Manager, and that this Committee's function *inter alia* would be to satisfy themselves that all departments were maintaining in satisfactory form and condition the registers of the wasting assets (without which the recommendations Nos. 11 and 12 can only be applied with difficulty and expense).

14. That a particular examination be made of workshop machinery to discover if:—

(a) Uneconomic and life expired machines are in use.

(b) If time expired and unwanted machines have been side-tracked instead of being written off. This applies to all departments. (See para. No. 117.)

15. That Heads of Departments should call for reports annually on the condition of time-expired units, in order to eliminate uneconomic repairs and redundant assets, thus ensuring that all assets in service shall be "live" assets and also to enable them to adjust lives on the five yearly examination (see paras. Nos. 109 and 117.)

16. That no reduction of contribution to the Fund should be made on account of time expired but serviceable items, as the accumulation of funds by this will finance premature decay when this occurs, any surplus accruing by this procedure being re-appropriated at the ten yearly review mentioned in Recommendation 12 (see paras. Nos. 109, 120 and 121).

17. That rolling stock permanently utilized for internal Harbour work shall, where possible, be life expired units ex traffic working and that such units shall be written out of Capital Account via the Renewals Fund, thus making them non-contributing assets. This applies to existing vehicles. Non-life expired vehicles, permanently utilized for internal Harbour work, shall continue to contribute to the Renewals Fund on the same basis as other rolling stock as a charge to Harbour Working Account.

18. That steps be now taken to remove from the Funds such sums as are definitely in excess of requirements for the purpose for which they were allocated in the Funds (see paras. 105, 108, 122, 123, 124, 125, 126 and 128).

19. That the Rules governing expenditure promulgated in September, 1934, be revised to include those of our recommendations that are accepted, and the occasion of this revision be taken advantage of to remove extraneous matter that occurs, and to redraft the whole instructions in clear and un-equivocal terms.

APPRECIATION.

Your Committee desire to express their appreciation of the very valuable assistance rendered to them by Mr. V. B. Atkinson, Assistant Chief Engineer, in his capacity as Co-ordinating Officer; without this Officer's energetic help the investigations would have been much prolonged.

Our thanks are also due to Mr. W. H. Moran, the British Tabulating Machine Company's representative, for his helpful advice and superintendence of the machine work.

We have the honour to be

Sir,

Your obedient servants,

A. E. HAMP,
Chief Engineer, Chairman.

R. P. WALKER,
Chief Accountant, Member.

~~XXXXXXXXXXXX~~
Locomotive Superintendent, Member.

Nairobi,

29th April, 1936.

NOTE.

This report has been sent to Mr. Stoyie in England, and he has been asked to signify his agreement, or otherwise, with it. All the matters have been discussed with Mr. Stoyie prior to his departure on leave, and I therefore have no doubt that he will sign the report without reservation.

[Signature]
CHAIRMAN.

APPENDICES

CLASSIFICATION OF WASTING ASSETS ON THE CHARGE OF THE ENGINEERING DEPARTMENT

The Fund is designed to cover the actual cost of renewing in kind any contributing assets, or part assets, specified in the schedule, which have become unserviceable through fair wear and tear at any age.

YEAR OF ASSESSMENT, 1936

Class (Code)	Description of Asset	Unit of Measurement	Estimated average life	Renewal Value	Annual Contribution	Items which Contribute to the Fund	Notes		
BRIDGES—									
1	Steelwork in plate girder bridges	Posts	66½	1,000,430	1,834	All steelwork in individual bridges and viaducts when the minimum renewal value of the steelwork in any one bridge is £250.	Tonnage of Railway portion only provided for.		
I.A.1	Steelwork in lattice girder bridges	"	66½	960	135				
I.A.2	Steelwork in viaducts	"	66½	31,760	5,342				
I.A.3	Steelwork in Nile Bridge	"	66½	42,240	631				
I.A.4	Abutments and piers of steel bridges	Ch.	200	171,749	366½				
I.B.1	Concrete and masonry bridges and culverts	"	66	353,331	375			Concrete in foundations and culverts when the minimum renewal value in any one bridge is £250.	Concrete in foundations included in quantities.
I.B.2	Headwalls of concrete pipe culverts	"	100	1,689	12				
I.B.3	Headwalls of C.I. pipe culverts	"	33	8,169	276				
I.B.4	3" diameter concrete pipes	Rpl.	100	1,267	14				
I.C.1 (a)	4" diameter concrete pipes	"	100	1,037	11				
(b)	12" diameter concrete pipes	"	35	135	7				
I.C.2 (a)	18" diameter C.I. pipes	"	30	866	24				
(b)	2" diameter C.I. pipes	"	30	1,239	40				
(c)	2" 6" diameter C.I. pipes	"	30	468	17				
(d)	3" diameter C.I. pipes	"	30	980	24				
(e)	4" diameter C.I. pipes	"	30	113	4				
(f)						All C.I. pipe culverts. (Group Asset.)			
TOTALS BRIDGES..				971,359	70,315				
FENCING—									
2	Steel pale fencing	3ft.	30	16,622	532	All individual lengths of fencing having a minimum renewal value of £250.			
2.A	Post and wire, C.I. sheeting, etc.	"	2)	5,225	284				
2.B									
TOTALS FENCING..				21,744	856				
TELEGRAPH—									
3	Pole Routes:	Routes							
3.A	Major Pole Routes (No. 3 K.U.R. Type and Hamitor. C. Poles):	Nile	55	634	12	All poles.			
3.A.1 (a)	Major Pole Routes, 24 p.p.m., Mombasa-Miritini	"	70	26,341	378				
(b)	Major Pole Routes, 24 p.p.m., Miritini-Kampala and all Branches	"							
(c)	Major Pole Routes, 17-0 p.p.m., Miritini-Kampala and all Branches	"	70	14,304	205				
Carried forward				41,278	545				

*NOTE.—Items marked with an asterisk taken as Group Assets

*NOTE.—The concrete in headwalls of pipe culverts is given the same life as the pipes, as re-tiling will, usually be necessary.

CLASSIFICATION OF WASTING ASSETS ON THE CHARGE OF THE ENGINEERING DEPARTMENT—(Contd.)

YEAR OF ASSESSMENT, 1935

Class (Code)	Description of Asset	Unit of Measurement	Estimated Average Life Years	Renewal Value £	Annual Contribution £	Items which Contribute to the Fund	Notes
TELEGRAPH.—Contd.							
Minor Pole Routes (No. 7 Poles):							
3.A.2	Minor Pole Routes, 24 p.p.m., Mombasa-Miritini	Mile	55	44	1		
3.A.2 (a)	Minor Pole Routes, 24 p.p.m., Miritini-Kampala and all Branches	"	70	11,585	170		
3.A.3	Major Pole Routes, Giraffe Sections (Nos. 9 and 16 Poles)	"	70	7,962	115		
3.A.4	Farmers' Pole Routes	"	70	425	7		
3.A.5 (a)	Wooden Pole Routes, 22 p.p.m.	"	10	11,102	1,113		
Wires:							
3.B	Iron Wires:	Mile of Single Wire					
3.B.1	200 lb. iron wire Mombasa-Samburu		40	603	9		
3.B.1 (a)	Samburu-Kampala and all Branches		40	13	1		
3.B.2 (a)	Samburu-Kampala and all Branches		60	18,341	312		
3.B.3 (a)	Samburu-Samburu		40	—	—		
3.B.3 (b)	Samburu-Kampala and all Branches		60	13,111	229		
3.B.4 (a)	100 lb. copper wire Mombasa-Samburu		60	24	3		
3.B.4 (b)	Samburu-Malaba and all Kenya Branches		80	245	7		
3.B.5 (a)	100 lb. Malaba-Jinja and all Uganda Branches		50	—	—		
3.B.5 (b)	100 lb. Jinja-Kampala		25	1,265	12		
3.B.5 (c)	200 lb. Mombasa-Samburu		60	—	—		
3.B.5 (d)	200 lb. Samburu-Malaba and all Kenya Branches		80	4,980	60		
3.B.5 (e)	200 lb. Malaba-Jinja and all Uganda Branches		60	2,039	41		
3.B.5 (f)	Jinja-Kampala		25	—	—		
3.B.5 (g)	Mombasa-Samburu		60	—	—		
3.B.5 (h)	Samburu-Malaba and all Kenya Branches		80	4,825	61		
3.C	Tyres Tablets Instruments	Each	30	45,122	902		
3.D	Headquarters Telephone Exchange	"	30	1,400	14		
				184,504	3,702		
				TOTALS TELEGRAPH			
The Railway proportion of all wires.							
				All tablet instruments (Group Asset), Whole Asset.			

84

CLASSIFICATION OF WASTING ASSETS ON THE CHARGE OF THE ENGINEERING DEPARTMENT—(Contd.)

YEAR OF ASSESSMENT, 1935

Class (Code)	Description of Asset	Unit of Measurement	Estimated Average Life Years	Renewal Value £	Annual Contribution £	Items which Contribute to the Fund	Notes
PERMANENT WAY—							
4.A	50 lb. Mineral	Mile	30	202,287	6,776	All lengths of ballast.	Renewable at the rate of 1/6th section every 6th year.
4.A.1	50 lb. Mineral (40,000 CR. Section)	"	30	53,865	1,827		
4.A.2 (a)	All Steel track sleepers, NRB-KLA	"	30	504,650	18,859		
4.A.2 (b)	50 lb. Steel track sleepers, NRB-KLA	"	40	31,985	7,998	All lengths of sleepers.	
4.A.2 (c)	Magadi Br., Soroti Br., PBK Br., NRB-TKA, Br., Solai Br., KTL Br., BUT Br.,	"	40	280,335	7,037		
4.A.3 (a)	50 lb. Steel track sleepers, V.K Br., TKA-NUK, TFL Br., Solai Br., BUT Br.,	"	40	146,109	3,670		
4.A.3 (b)	50 lb. Steel sleepers in all sidings, excluding 1st loops	"	50	463,659	12,889		
4.A.3 (c)	50 lb. Rails, NRB-KLA	"	60	297,583	4,859	All lengths of rails.	
4.A.3 (d)	Br., PBK Br., NRB-TKA, Magadi Br., Soroti Br.,	"	60	304,419	5,120		
4.A.3 (e)	50 lb. Rails, V.K Br., TKA-NUK, TFL Br., Solai Br., KTL Br., BUT Br.,	"	60	151,784	2,438		
4.A.4 (a)	50 lb. Rail joints, including 1st loops	"	25	1,24,400	4,810		
4.A.4 (b)	50 lb. Rail joints, MSA-KLA	"	30	64,190	2,142		
4.A.4 (c)	50 lb. Rail joints, KSM Br., NRB-TKA, Magadi Br., Soroti Br., NSG Br.,	"	30	74,286	2,485		
4.A.4 (d)	Solai Br., KTL Br., BUT Br.,	"	30	31,940	1,205		
4.A.5	50 lb. Rail Joints in all sidings excepting 1st loops	"	30	32,555	4,128	All sets of points and crossings (Group Asset).	
4.A.5 (a)	*50 lb. Points and Crossings	"	0	30,050	3,002	All sets of turnout sleepers (Group Asset).	Renewable at the rate of 1/6th section every 6th year.
4.A.6	Turnout Sleepers (wooden)	"	30	189,480	6,316	All lengths of ballast.	
4.B	80 lb. Mineral	"	10	501,504	16,721	All lengths of sleepers.	
4.B.1	80 lb. Mineral (50,000 CR. Section)	"	10	97,402	2,436		
4.B.2 (a)	All Steel Track Sleepers	"	30	15,288	383		
4.B.2 (b)	80 lb. Steel Track Sleepers, MSA-NRB	"	60	86,190	1,433		
4.B.2 (c)	80 lb. Steel Track Sleepers in all sidings (excluding 1st loops)	"	60	17,030	286		
4.B.3 (a)	80 lb. Rails, MSA-NRB	"	25	102,390	4,090		
4.B.3 (b)	80 lb. Rails in all sidings (excluding 1st loops)	"	30	13,260	443		
4.B.4 (a)	80 lb. Rail Joints, MSA-NRB	"	30	2,500	300		
4.B.4 (b)	80 lb. Rail Joints, Magadi Branch	"	20	27,180	1,359		
4.B.5	80 lb. Rail Joints in all sidings excepting 1st loops	"	10	6,040	604		
4.B.5 (a)	*80 lb. Points and Crossings	"	10	4,569,110	189,162		
4.B.6	*80 lb. Turnout Sleepers	"	—	—	—		
				TOTALS PERMANENT WAY			

Note.—Items marked with an asterisk taken as Group Assets.

36

85

CLASSIFICATION OF WASTING ASSETS ON THE CHARGE OF THE ENGINEERING DEPARTMENT—(Contd.)

YEAR OF ASSESSMENT, 1935

Class (Code)	Description of Asset	Unit of Measurement	Estimated Average Life, Years	Renewal Value	Annual Contribution	Items which Contribute to the Fund	Notes
5	BUNGALOWS— Wood and Iron, Mud Brick, Coral, etc.; Offices, including Station Offices, Waiting Rooms, Dak Bungalows, etc.	Cft.	30	49,927	1,667	All individual buildings having a minimum renewal value of £250.	The renewal of the essential out-quarters connected with any staff quarters is included in the contribution to the main building.
5.A							
5.A.1			30	13,545	459		
5.A.2			30	36,253	1,208		
5.A.3			30	89,923	2,997		
5.A.4 (a)			30	101,522	3,381		
(b)			30	23,885	793		
5.B	STEEL AND C.I. BUILDINGS— Offices Stores which do not contain any major part assets, the roofs and/or floors and side coverings of which constitute a major asset, with a shorter expectation of life Roofing of Stores Flooding of Stores Workshops which do not contain any major part assets Workshops containing major part assets (as follows:—) Roofing of Workshops Flooding of Workshops	Equivalent Cft.	50	11,540	112	All individual buildings having a minimum renewal value of £250; and All floors and roofs having an individual minimum renewal value of £250.	Equivalent cubic content is that proportion of the total contents of the building which is equivalent to the renewal cost at the assessed unit rate of the whole building.
5.B.1			50				
5.B.2 (a)			90	49,706	1,657		
(b)			30	6,189	206		
(c)			30	5,238	174		
5.B.3 (a)			9	11,813	136		
(b)			25	351,858	2,803		
(c)			30	3,142	111		
(d)			30	7,987	266		
5.B.4 (a)			30			All individual buildings (including essential out quarters connected therewith) having a minimum renewal value of £250.	Equivalent cubic content is that proportion of the total contents of the building which is equivalent to the renewal cost of the part asset at the assessed unit rate of the whole building.
(b)			30	11,116	370		
(c)			75	198,816	1,468		
5.C	STONE AND CONCRETE BUILDINGS— Stores which do not contain any major part asset Stores containing major part assets (roofs and floors) Roofing of Stores Flooding of Stores	Equivalent Cft.	60	8,121	86	All floors and roofs having an individual minimum renewal value of £250.	
5.C.1			60				
5.C.2 (a)			80	72,598	869		
(b)			30	9,428	317		
(c)			30	6,985	201		
(d)				1,054,918	24,220		

Carried forward

Table R. 2—Contd.

CLASSIFICATION OF WASTING ASSETS ON THE CHARGE OF THE ENGINEERING DEPARTMENT—(Contd.)

YEAR OF ASSESSMENT, 1935

Class (Code)	Description of Asset	Unit of Measurement	Estimated Average Life, Years	Renewal Value	Annual Contribution	Items which Contribute to the Fund	Notes
	Brought forward			£ 1,054,918	£ 24,220		
5.C.3 (a)	BUNGALOWS—Contd. Workshops which do not contain any major part asset Workshops containing major part assets (roofs and floors)		90	5,487	63	All individual buildings having a minimum renewal value of £250; and All floors and roofs having an individual minimum renewal value of £250.	Equivalent cubic content is that proportion of the total contents of the building which is equivalent to the renewal cost at the assessed unit rate of the whole building.
(b)			90	12,281	138		
(c)			30	2,430	82		
(d)			30	631	22		
5.C.4 (a)	EUROPEAN STAFF QUARTERS	Cft.	75	324,916	4,328	All individual buildings (including essential out quarters connected therewith) having a minimum renewal value of £250.	Equivalent cubic content is that proportion of the total contents of the building which is equivalent to the renewal cost at the assessed unit rate of the whole building.
(b)			75	468,885	6,238		
(c)			50	299,808	6,009		
5.D	SPECIAL BUILDINGS— Headquarters Offices, excluding Roofing Roof of Headquarters Offices	Equivalent Cft.	120	140,847	1,228	Main building, outbuilding and roof.	
5.D.1			40	1,716	43		
5.D.2	TOTAL BUILDINGS			2,301,889	42,295		
6	STATION MACHINERY— Cattle Pen, Thomson's Falls Cattle Pen, Nairobi Crane, Derrick, 5-ton Crane, Derrick, 3-ton Crane, Hand, 10-ton Crane, Fillar, 5-ton Gantry for Crane, Nairobi, excluding Machinery Crane Tracks Turntable 80' Steelwork Turntable, 100' Concrete Weighbridge, 40 ton Concrete Weighbridge, 40 ton Steelwork Weighbridge, 60 ton Concrete	Each	30				All individual items and part assets whose specified, having a minimum renewal value of £250 other than pits and platforms.
(a)			30				
(b)			50				
(c)			50				
(d)			50				
(e)			50				
(f)			15				
(g)			50				
(h)			100				
(i)			100				
(j)			100				
(k)			100				
(l)			100				
(m)			100				
(n)			100				
(o)			100				
(p)			100				
(q)			100				
(r)			100				
(s)			100				
(t)			100				
(u)			100				
(v)			100				
(w)			100				
(x)			100				
(y)			100				
(z)			100				
TOTALS	STATION MACHINERY			45,550	1,256		
				£ 46,550	£ 1,256		

TOTALS STATION MACHINERY

CLASSIFICATION OF WASTING ASSETS ON THE CHARGE OF THE MECHANICAL DEPARTMENT

YEAR OF ASSESSMENT 1933.

Class (Code)	Description of Asset	Unit of Measurement	Estimated Average Life (Years)	Renewal Value	Annual Contribution	Items which Contribute to the Fund	Notes
LOCOMOTIVES—							
2.1							
2.1.01.0	35,000 lb. T.E.		25	502,066	20,090		Any number of units of tractive effort may be replaced by a similar number of units.
2.1.02.0	3,300 "		25	60,000	2,400		
2.1.03.0	2,700 "		25	433,600	15,744	All Locomotives having a minimum individual renewal value of £250.	
2.1.04.0	17,700 "		25	37,500	1,500		
2.1.05.0	13,800 "		25	181,000	7,640		
	TOTALS LOCOMOTIVES			1,209,000	42,360		
COACHING STOCK (Passenger Carrying)—							
2.2.01.0	Public Saloon (4-wheel)	Each	30	3,000	100		
2.2.02.0	First Class (Bogie)	"	30	31,600	1,048		
2.2.03.0	First Class Corridor (Bogie)	"	30	30,000	1,000		
2.2.04.0	First Class (4-wheel)	"	30	1,550	52		
2.2.05.0	First Class Second Class (Bogie)	"	30	19,200	641		
2.2.06.0	First and Second Class (4-wheel)	"	30	5,100	168		
2.2.07.0	First, Second and Third Class (4-wheel)	"	30	850	28		
2.2.08.0	Second Class (Bogie)	"	30	8,400	280		
2.2.09.0	Second Class Corridor (Bogie)	"	30	71,000	2,375		
2.2.10.0	Second Class (4-wheel)	"	30	4,250	142		
2.2.11.0	Second and Third Class (Bogie)	"	30	1,400	47		
2.2.12.0	Third Class (Bogie)	"	30	96,000	3,200		
2.2.13.0	Third Class (4-wheel)	"	30	28,400	947		
2.2.14.0	Restaurant Cars (Bogie)	"	30	52,000	1,733		
2.2.15.0	Prake vans (Compo.) (Bogie)	"	30	35,000	1,167		
2.2.16.0	First, Second and Third Class, and Brake (Bogie)	"	30	15,500	518		
2.2.17.0							
	TOTALS COACHING STOCK (Passenger Carrying)			619,800	17,033		
COACHING STOCK (Other Vehicles)—							
2.3.01.0	Inspection Coach (4-wheel)	Each	30	20,800	696		
2.3.02.0	Inspection Coach (Bogie)	"	30	2,300	410		
2.3.03.0	Service Van (4-wheel)	"	30	35,550	1,185		
2.3.04.0	Luggage and Parcel Van	"	30	3,350	110	All individual Coaching Stock having a minimum renewal value of £250.	
2.3.05.0	Home Box	"	30	1,800	1,075		
2.3.06.0	Pay Vans	"	30	2,900	108		
2.3.07.0	Ration Vans	"	30	3,200	108		
	TOTALS COACHING STOCK (Other Vehicles)			169,650	3,911		
	Carried forward						

CLASSIFICATION OF WASTING ASSETS ON THE CHARGE OF THE MECHANICAL DEPARTMENT—(Contd.)

YEAR OF ASSESSMENT, 1933.

Class (Code)	Description of Asset	Unit of Measurement	Estimated Average Life (Years)	Renewal Value	Annual Contribution	Items which Contribute to the Fund	Notes
Brought forward							
COACHING STOCK (Other Vehicles)—Contd.							
2.3.08.0	Brake Vans	Each	30	137,850	4,595		
2.3.09.0	Relief Coaches	"	30	1,600	54		
2.3.10.0	Intermediate Coaches	"	30	4,250	140		
2.3.11.0	Coaches (Bogie)	"	30	13,800	459		
2.3.12.0	Caboose (4-wheel)	"	30	2,100	69		
	TOTAL COACHING STOCK (Other Vehicles)			372,250	9,333		
GOODS STOCK—							
2.4.01.0	Covered Goods Wagons (Bogie)	Each	30	7,750	258		
2.4.02.0	Covered Goods Wagons (4-wheel)	"	30	187,650	6,402		
2.4.03.0	Covered Goods Wagons (Bogie)	"	30	944,300	31,028		
2.4.04.0	Cattle Trucks	"	30	63,875	2,149		
2.4.05.0	Low Sided (4-wheel)	"	30	114,125	3,840		
2.4.06.0	High Sided (Bogie)	"	30	323,050	10,934		
2.4.07.0	High Sided (4-wheel)	"	30	29,400	1,008		
2.4.08.0	High Sided, Fenced (4-wheel)	"	30	189,125	6,785		
2.4.09.0	High Sided, Fenced (Bogie)	"	30	78,550	2,654		
2.4.10.0	Powder Van	"	30	5,600	184		
2.4.11.0	Water Tank	"	30	57,000	1,920		
2.4.12.0	Oil Tank (4-wheel)	"	30	6,650	224		
2.4.13.0	Oil Tank (Bogie)	"	30	16,000	528		
2.4.14.0	Kerosene Tank (4-wheel)	"	30	1,000	30		
2.4.15.0	Kerosene Tank (Bogie)	"	30	26,000	867		
2.4.16.0	Petrol Tank (Bogie)	"	30	24,250	1,672		
2.4.17.0	Rail Trucks	"	30	5,000	165		
2.4.18.0	Refrigerator Vans	"	30	21,000	690		
2.4.19.0	Refrigerator Wagons	"	30	1,500	48		
2.4.20.0	Platform Wagons (4-wheel)	"	30	47,400	1,580		
2.4.21.0	Platform Wagons (Bogie)	"	30	47,400	1,580		
2.4.22.0	Relief and Store Vans (4-wheel)	"	30	14,100	472		
2.4.23.0	Relief and Store Vans (Bogie)	"	30	16,800	562		
2.4.24.0	Motor Vans	"	30	3,750	130		
2.4.25.0	Sheep Trucks	"	30	1,900	64		
2.4.26.0	Pig Wagons	"	30	8,250	278		
	TOTALS GOODS STOCK			2,258,875	75,375		
	All individual items having a minimum renewal value of £250						

YEAR OF ASSESSMENT, 1932.

Class (Code)	Description of Asset	Unit of Measurement	Estimated Average Life—Years	Receivable Value—£	Annual Contribution	Items which Contribute to the Fund	Notes
MACHINERY—							
2.5.01 (1 to 9)	Pumps and Boilers	Each	18	16,293	989		
2.5.02.0	Workshops, Category A	"	5	20,623	1,711		
2.5.02.1	Workshops, Category B	"	12	108,192	6,173		All individual items having a minimum renewal value of £100.
2.5.02.2	Workshops, Category C	"	18	4,255	179		
2.5.02.3	Workshops, Category D	"	25	1,905	114		
2.5.02.4	Electric Motors	"	Average 17½	52,455	2,324		All individual items having a minimum renewal value of £250.
2.5.04 (0 to 9)	Cranes, Hoists, etc.	"	22½	2,236	109		
2.5.05 (0 to 9)	Washout Apparatus, etc.	"	20	2,080	141		All individual items having a minimum renewal value of £100.
2.5.02 (0 to 05)	Laundry Plant, etc.	"	15	207,939	11,571		
TOTALS MACHINERY				4,455,064	181,672		
DEPARTMENTAL TOTALS				£			

49

CLASSIFICATION OF WASTING ASSETS ON THE CHARGE OF THE TRANSPORTATION DEPARTMENT

YEAR OF ASSESSMENT, 1932.

Class (Code)	Description of Asset	Unit of Measurement	Estimated Average Life—Years	Receivable Value—£	Annual Contribution	Items which Contribute to the Fund	Notes
TRANSPORTATION RAILWAY SECTION—							
2.1A	Decauville Wagons	Group	8½	800	86		
2.1B	Fixed Weighing Machine	Each	17½	3,453	175		All Wagons. All machines having a minimum value of £250.
TOTALS TRANSPORTATION RAILWAY SECTION				4,343	261		
MOTOR TRANSPORT SECTION—							
2.2.A.1	Lorries	Each	10	15,200	1,520		
2.2.A.4	Trailer Bus	"	10	1,650	165		All machines having a minimum value of £250.
2.2.C	Staff Car	"	5	400	40		
2.2.D	Workshop Machinery	"	12	300	25		All machines having a minimum value of £100.
2.2.E		"		18,050	1,850		
TOTALS MOTOR TRANSPORT SECTION							

YEAR OF ASSESSMENT, 1935.

Class (Code)	Description of Asset	Unit of Measurement	Estimated Average Life—Years	Receivable Value—£	Annual Contribution	Items which Contribute to the Fund	Notes
MARINE SECTION—							
2.3.A.1	Hulls of Deep Draft Ships	Each	30	222,500	7,417		All hulls, decks and winches having a minimum individual value £200.
2.3.A.2	Decks of Deep Draft Ships	"	15	8,000	535		
2.3.A.3	Winches of Deep Draft Ships	"	15	7,700	515		
2.3.B.1.1	Light Draft Ship with Heavy Plating: Hull	"	24	54,200	2,280		do.
2.3.B.1.2	" " " " " " " " " " " "	"	12	2,900	218		do.
2.3.B.1.3	" " " " " " " " " " " "	"	12	4,000	336		Complete ship
2.3.C.2.0	Deep Draft Tugs	"	5	21,200	4,240		do.
2.3.C.1.0	Light Draft Tugs	"	10	10,980	1,098		do.
2.3.D.2.0	Light Draft Lighters, Heavy Plating (Hulls)	"	30	106,390	3,543		Complete lighter.
2.3.D.2.1	Light Draft Lighters, Heavy Plating (Bottoms)	"	30	45,400	1,514		Hulls and bottoms over £250 in value.
2.3.D.2.2	Light Draft Lighters, Light Plating	"	15	14,600	1,241		Complete lighter.
2.3.E.A.1	Motor Launches, Hull, Wooden	"	10	630	63		
2.3.E.A.2	Motor Launches, Hull, Steel	"	20	1,290	61		Hulls and engines over £250 in value.
2.3.E.A.3	Engines for above	"	10	630	63		Complies vessel.
2.3.E.A.4	Steam Launches	"	2	9,500	475		do.
2.3.E.1	Steel Boats and Punks	Each	20	1,400	70		
2.4.A.1	Floating Plant	"	37	27,869	1,089		
2.4.B.1.A	Internal Combustion Engines	"	14	1,495	106		
2.4.B.1.B	Steam Engines	"	30	1,040	54		
2.4.B.2	Pumps, Dry Dock	"	50	2,000	40		All items over £250 value individually.
2.4.C.1	Workshop Machinery "A"	"	12	1,360	118		
2.4.C.2	" " " " " " " " " " " "	"	18	13,907	786		All items over £100 value individually.
2.4.C.3	" " " " " " " " " " " "	"	25	1,135	46		
TOTALS MARINE SECTION				50,211	2,326		
AGA BEACONS				7,900	81		All complete beacons.
DEPARTMENTAL TOTALS				664,464	28,057		
GRAND TOTALS				13,388,800	391,177		

50

49

Table H. 2

HARBOURS

Appendix 1

CLASSIFICATION OF WASTING ASSETS ON THE CHARGE OF THE ENGINEERING DEPARTMENT

The Fund is designed to cover the actual cost of the renewing in kind any contributing assets, or part assets, specified in the schedule which have become unserviceable through fair wear and tear at any age.

YEAR OF ASSESSMENT, 1935

Class (Code)	Description of Asset	Unit of Measurement	Estimated Average Life—Years	Renewal Value	Annual Contribution	Items which Contribute to the Fund	Notes
1	BRIDGES—						
1.A.1	Steelwork in Plate Girder Bridges	Ton	66½	4,060	47	All steelwork on individual bridges and viaducts when the minimum renewal value of the steelwork in any one bridge is £250.	
1.B.1	Abutments and Piers of Steel Bridges	Cft.	260	2,547	14	All concrete, etc., in individual bridges, viaducts and culverts when the minimum renewal value in any one bridge is £250.	Concrete in foundations included in quantities.
1.B.2	Concrete and Masonry Bridges and Culverts	"	200	1,755	9		
	TOTAL BRIDGES			7,362	70		
2	FENCING—						
2.A.1	Steel Pale Fencing	"	30	2,076	71	All individual lengths of fencing having a minimum renewal value of £250.	
4	PERMANENT WAY—						
4.A	50 lb. Material:						
4.A.1	All Wooden Track Sleepers	M	10	2,430	243	All lengths of sleepers.	
4.A.2 (a)	80 lb. Steel Track Sleepers	"	30	9,340	312	All lengths of rails.	
4.A.3 (a)	50 lb. Rail	"	50	10,808	218	All lengths of rail joints.	
4.A.3 (b)	50 lb. Rail Joints	"	25	2,620	105	All lengths of rail joints.	
4.A.4 (a)	50 lb. Points and Crossings	"	30	5,500	275	All sets of points and crossings and diamonds (Group Asset).	
4.A.4 (b)	50 lb. Diamond Crossings	"	30	480	24	All sets of points and crossings and diamonds (Group Asset).	
4.A.4 (c)	Turnout Sleepers (Wooden)	"	10	2,000	200	All sets of turnout and diamond crossings (Sleepers, (Group Asset).	
4.A.4 (d)	Diamond Crossing Sleepers (Wooden)	"	10	50	6		
4.B	80 lb. Material:						
4.B.1	All 80 lb. Wooden Track Sleepers	"	10	16,611	1,661	All lengths of sleepers.	
4.B.2 (a)	80 lb. Steel Track Sleepers	"	50	735	25	All lengths of rails.	
4.B.2 (b)	80 lb. Rail	"	50	15,440	307	All lengths of rail joints.	
4.B.3 (a)	80 lb. Rail Joints	"	25	3,540	142	All lengths of rail joints.	
4.B.3 (b)	80 lb. Points and Crossings	"	30	16,300	810	All sets of points and crossings and diamonds (Group Asset).	
4.B.4 (a)	80 lb. Diamond Crossings	"	30	7,920	396	All sets of turnout and diamond crossings (Group Asset).	
4.B.4 (b)	80 lb. Turnout Sleepers	"	10	3,690	360	All sets of turnout and diamond crossings (Group Asset).	
4.B.4 (c)	80 lb. Diamond Crossing Sleepers	"	10	860	86		
	TOTAL PERMANENT WAY			97,864	5,146		

Notes.—Items marked with an asterisk taken as Group Assets.

H. 2—contd.

CLASSIFICATION OF WASTING ASSETS ON THE CHARGE OF THE ENGINEERING DEPARTMENT—(Contd.)

YEAR OF ASSESSMENT, 1935

Class (Code)	Description of Asset	Unit of Measurement	Estimated Average Life—Years	Renewal Value	Annual Contribution	Items which Contribute to the Fund	Notes
5	Buildings—						
5.A	Wood and Iron, Mud Brick, Coral, etc.:						
5.A.1	Offices, including Station Offices, Waiting Rooms, Dak Bungalows, etc.	Cft.	30	9,146	307	All individual buildings having a minimum renewal value of £250.	The renewal of the essential out-works connected with any staff quarters is included in the contribution on the main building.
5.A.2	Stores, Goods Sheds, etc. (Pths, Platforms and Gantries, including many minor Pths, etc.)	"	30	33,375	1,180		
5.A.3	Workshops including Running Sheds, C&R Shed, etc.	"	30	1,372	46		
5.A.4 (a)	European Staff Quarters	"	30	6,175	274		
5.A.4 (b)	African Staff Quarters (Including Running Rooms and Institutes.)	"	30	268	9		
5.B	Steel and C.I. Buildings:						
5.B.2 (a)	Stores which do not contain any major part assets.	"	90	2,507	96		Equivalent cubic content is that proportion of the total contents of the building which is equal in value to the renewal cost of the part asset at the assessed unit rate of the whole building.
5.B.2 (b)	Stores, the roofs and/or floors and side coverings of which constitute a major asset, with a shorter expectation of life	Equivalent Cft.	90	71,031	790	All individual buildings having a minimum renewal value of £250; and All floors and roofs having an individual minimum renewal value of £250.	
(a)	Floors of Stores	"	30	9,331	312		
(b)	Roofing of Stores	"	30	6,221	208		
5.B.3 (a)	Workshops containing major part assets (as for 5.B.2 (a))	"	90	1,415	16		
(b)	Roofing of Workshops	"	30	265	9		
5.C	Stone and Concrete Buildings:						
5.C.1	Offices	Cft.	75	9,122	124		
5.C.2 (a)	Stores which do not contain any major part asset	"	90	6,425	72		
(b)	Stores containing major part assets (roofs and floors)	Equivalent Cft.	90	162,577	1,808		
(c)	Roofing of Stores	"	30	10,420	348		
(d)	Floors of Stores	"	30	6,701	224		
5.C.3 (a)	Workshops which do not contain any major part assets	"	90	525	6		
(b)	Workshops containing major part assets (roofs and floors)	"	90	4,870	55		
(c)	Roofing of Workshops	"	30	567	19		
(d)	Floors of Workshops	"	30	378	13		
5.C.4 (a)	European Staff Quarters	Cft.	75	29,316	393	All individual buildings (including essential out-works connected therewith) having a minimum renewal value of £250.	
(b)	Asian Staff Quarters	"	75	10,304	138		
(c)	African Staff Quarters	"	50	2,723	55		
	TOTAL BUILDINGS			389,022	6,502		

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CLASSIFICATION OF WASTING ASSETS ON THE CHARGE OF THE ENGINEERING DEPARTMENT—(Contd.)

YEAR OF ASSESSMENT, 1935

Class (Code)	Description of Asset	Unit of Measurement	Estimated Average Life (Years)	Renewal Value (£)	Annual Contribution	Items which Contribute to the Fund	Notes
6	PORT OPERATING MACHINERY—						
6.A	Crane Tracks; Rails on Face of Deepwater Wharf	Rft. of Rail	10	1,486	148		
6.A.1 (a)	Outer Crane Rails on Face of Deepwater Wharf	"	20	1,486	74		
(b)	Crane Rails on Lighterage Wharves and on Steaking Ground	Rft. of Truck	50	5,225	104		
6.A.2 (a)	Longitudinal Timber Sleeping (Pine)	Rft. of Rail	15	2,571	171		
(b)	Transverse Timber Sleeping (Pine)	Rft. of Truck	15	357	24		All individual assets and part assets values specified having a minimum renewal value of £250.
(c)	Longitudinal Concrete Sleeping	Rft. of Rail	30	5,700	183		
6.B	WRENCHMENDS Steelwork of 40-ton Weighbridges Concrete of 40-ton Weighbridges	Each	50	4,000	80		
	TOTAL PORT OPERATING MACHINERY		100	21,901	782		
7	WATER SUPPLIES—						
7.B.2	Pipe Lines (Harbour Area)			386	121		Whole length of piping (above 1" diameter) forming part of individual installations, the whole of which has a renewal value of which is £250.
8	PLANT—						
8.A.1	Engineering Plant: Motor and Steam Rollers	Each	10	2,480	134		All individual items of plant having a minimum renewal value of £250.
9	WHARVES, JETTIES AND LANDING PONTOONS—						
9.A	Steel Landing Pontoon and Gangway	Each	10	1,000	100		All individual assets or part assets having a minimum renewal value of £250.
9.B	Timber Structures	"	10	1,000	100		
9.C	Reinforced Concrete Structures	"	40	24,700	618		
	TOTAL WHARVES, JETTIES AND LANDING PONTOONS			27,800	378		
	DEPARTMENTAL TOTALS			549,371	13,110		

CLASSIFICATION OF WASTING ASSETS ON THE CHARGE OF THE MECHANICAL DEPARTMENT

YEAR OF ASSESSMENT, 1935

Class (Code)	Description of Asset	Unit of Measurement	Estimated Average Life (Years)	Renewal Value (£)	Annual Contribution	Items which Contribute to the Fund	Notes
2.F.33.0.0	Workshop Machinery, Category B	Each	12	1,025	85		
2.3.03.1.0	Workshop Machinery, Category C	"	12	2,536	211		
2.6.01.0.0	Electric Wharf Cranes	"	25	84,250	3,370		
2.6.01.1.0	Steam Wharf Cranes	"	25	9,000	360		
2.6.01.2.0	Hand Wharf Cranes	"	25	950	37		
2.6.02.0.0	Electric Shed Transporters	"	25	576	22		
2.6.02.1.0	Underhung Electric Jib Cranes	"	25	25,468	1,018		
2.6.02.2.0	Monorail Electric Cranes	"	25	12,870	511		
2.6.02.3.0	Small Eric Shed Electric Cranes	"	25	11,281	451		
2.6.03.0.0	Yard Electric Cranes	"	12	1,200	100		
2.6.03.1.0	Yard Electric Cranes	"	12	800	67		
2.6.05.0.0	Fire-fighting Equipment	"	22	560	25		
2.7.01.0.0	Steam Tugs and Launches	"	50	63,000	2,520		
2.7.01.1.0	Motor Boats	"	10	7,068	707		
2.7.02.0.0	Moorings Buoys and Anchors	"	15	8,050	534		
2.7.02.1.0	Light Buoys (Buoys)	"	15	1,572	105		
2.7.02.2.0	Light Buoys (Lights)	"	15	750	50		
	GRAND TOTALS			240,334	11,125		

CLASSIFICATION OF WASTING ASSETS ON THE CHARGE OF THE PORT DEPARTMENT

YEAR OF ASSESSMENT, 1935

Class (Code)	Description of Asset	Unit of Measurement	Estimated Average Life (Years)	Renewal Value (£)	Annual Contribution	Items which Contribute to the Fund	Notes
3.1.01.1.0	Age Lights in Exposed Positions	Each	40	800	20		
3.1.01.2.0	Age Lights in Protected Positions	"	15	5,020	335		
3.1.02.1.2	Lighthouse Tower	"	60	600	10		
	GRAND TOTALS			6,420	425		
				796,425	25,260		

All individual items having a minimum renewal value of £250.

Table R. 3

RAILWAY

Appendix No. 2

STATEMENT SHOWING ANNUAL CONTRIBUTIONS TO FUND ON FULL LIFE BASIS WITH ANNUAL WITHDRAWALS AND BALANCE IN FUND AT THE END OF EACH YEAR—FROM 1936 TO 1960

Item	Detail of Assets	Overdue 31-12-35 £	YEAR					
			1936	1937	1938	1939	1940	
1	ENGINEERING DEPARTMENT							
2	Bridges	4,310	4,357	2,190	1,555	1,390	—	—
3	Fencing	1,323	24,740	16,973	7,235	208,835	279,387	—
4	Telegraph	231,648	4,161	2,465	2,941	1,386	6,085	—
5	Permanent Way	196,440			350	350	1,580	—
6	Buildings	2,186			11,131	906	2,290	—
7	Station Machinery	13,870		2,310	800	620	2,620	—
8	Water Supplies	44,210		306	500	865	1,000	—
9	Lake Piers				14,400	26,000	15,600	—
10	MECHANICAL DEPARTMENT							
11	Locomotives	76,850		9,800	—	1,400	8,400	—
12	Coaching Stock, Passenger	86,275		2,850	—	—	—	—
13	Coaching Stock, Non-passenger	384,525						
14	Goods Stock	54,973	1,018	3,275	3,268	3,796	4,787	—
15	Catering Plant							
16	TRANSPORTATION DEPARTMENT							
17	Rolling Stock	800						
18	Ships, Tugs and Lighters	900						
19	Dockyard Plant	102,470						
20	Agri Bascons	15,052						
	Total Overdue	1,106,232	39,024	98,749	248,260	48,173	331,909	—
	Actual Balance in Fund 31-12-35	1,532,469	460,368	397,973	248,161	—	—	—
	Balance in Fund if no Overdues Existed	426,237	496,422	496,422	496,421	48,173	331,909	—
	Total Withdrawals from Renewal Fund		391,178	391,178	391,178	391,178	391,178	—
	Annual Contribution on Full Life Basis...		427,225	1,321,981	1,216,738	1,559,743	1,619,012	—
	Balance in Fund at End of Year with Overdues Spread Over Three Years		781,391	1,073,820	1,216,738	1,559,743	1,619,012	—
	Balance in Fund if all Overdues could be Overaken in 1936							

48

Table R. 3—contd.

Appendix No. 2

STATEMENT SHOWING ANNUAL CONTRIBUTIONS TO FUND ON FULL LIFE BASIS WITH ANNUAL WITHDRAWALS AND BALANCE IN FUND AT THE END OF EACH YEAR—FROM 1941 TO 1960—(Continued)

Item	Detail of Assets	YEAR													
		1941	1942	1943	1944	1945	1946	1947	1948	1949	1950				
1	ENGINEERING DEPARTMENT														
2	Bridges	1,861	1,110	904	804	676	1,859	2,004	992	—	—	97	—	—	—
3	Fencing	56,332	4,132	2,008	1,993	1,993	4,867	2,900	1,242	1,390	—	—	—	—	—
4	Telegraph	31,750	3,093	3,093	60,643	30,702	48,002	65,732	33,135	19,913	119,469	—	—	—	—
5	Permanent Way	825	12,588	19,345	19,345	21,215	1,875	1,475	4,475	1,848	17,071	—	—	—	—
6	Buildings	390									1,350	—	—	—	—
7	Station Machinery	8,363	3,698	620	10,658	—	—	2,559	800	1,410	1,750	—	—	—	—
8	Water Supplies	430	2,900	—	3,490	42,550	—	5,800	13,480	2,000	12,250	—	—	—	—
9	Lake Piers		2,340			3,250									
10	MECHANICAL DEPARTMENT														
11	Locomotives		1,400	1,400	3,300	3,500	7,500	13,900	135,000	—	—	—	—	—	—
12	Coaching Stock, Passenger	850	4,400	8,800	3,375	5,220	7,500	2,250	2,250	—	—	—	—	—	—
13	Coaching Stock, Non-passenger	1,960	48,420	32,275	126,100	18,000	13,800	31,725	6,071	6,071	67,200	—	—	—	—
14	Goods Stock	30,283	3,494	11,406	22,392	5,414	3,642	22,533	11,139	6,071	4,831	—	—	—	—
15	Catering Plant	583						1,197							
16	TRANSPORTATION DEPARTMENT														
17	Railway Plant														
18	Motor Services	3,500				860		3,900		2,832	4,500	—	—	—	—
19	Ships, Tugs and Lighters	20,500	42,200	72,460	42,000	18,000	1,230	4,900	330	13,659	32,310	—	—	—	—
20	Dockyard Plant			2,330	449	2,825	1,118	1,060	345	100	2,000	—	—	—	—
	Agri Bascons														
	Withdrawals on Account of Current Renewals	129,677	173,716	154,929	283,649	183,291	84,079	165,145	203,188	52,184	398,308	—	—	—	—
	Annual Contribution on Full Life Basis	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178	—	—	—	—
	Balance in Fund at End of Year	1,880,513	2,097,975	2,335,124	2,642,663	2,650,540	2,967,659	3,835,672	3,371,602	3,710,656	4,703,624	—	—	—	—

49

Table R. 3—contd.

Appendix No. 2

STATEMENT SHOWING ANNUAL CONTRIBUTIONS TO FUND ON FULL LIFE BASIS WITH ANNUAL WITHDRAWALS AND BALANCE IN FUND AT THE END OF EACH YEAR—FROM 1936 TO 1960—(Continued)

Item	DETAIL OF ASSETS	YEAR												
		1951	1952	1953	1954	1955	1956	1957	1958	1959	1960			
ENGINEERING DEPARTMENT														
1	Bridges	—	—	3,338	2,658	3,851	424	—	315	1,176	—	300	—	333
2	Refrigerating	—	470	—	456	1,592	—	2,190	—	8,081	—	1,390	—	7,352
3	Telegraph	—	—	217	—	323	—	4,367	—	13,081	—	1,362	—	8,850
4	Permanant Way	45,513	139,631	135,072	250,457	283,390	153,062	283,390	18,438	46,081	—	1,362	—	369,562
5	Buildings	340	350	1,121	63,719	34,580	23,062	18,438	—	26,265	—	22,521	—	39,419
6	Station Machinery	743	84,609	9,263	14,047	54	1,000	300	—	26,265	—	22,521	—	1,850
7	Water Supplies	620	4,196	350	1,100	1,940	—	3,191	—	800	—	3,600	—	7,485
8	Piers	—	—	—	35	—	—	1,800	—	550	—	1,065	—	1,750
9	Lake Piers	—	4,643	—	—	33,465	—	300	—	550	—	1,065	—	1,420
MECHANICAL DEPARTMENT														
10	Locomotives	290	—	214,030	12,000	78,590	19,000	—	—	160,000	—	32,500	—	39,000
11	Coaching Stock, Passenger	—	14,600	60,600	—	6,260	—	40,500	—	17,700	—	—	—	—
12	Coaching Stock, Non-passenger	—	4,800	60,475	98,825	2,970	6,500	—	—	210,200	—	257,200	—	202,275
13	Goods Stock	—	—	—	1,364	501	350	—	—	4,888	—	46,877	—	5,908
14	Plant	—	7,825	41,850	—	—	—	—	—	—	—	—	—	—
15	Cargoing Plant	—	—	853	—	—	—	—	—	—	—	—	—	—
TRANSPORTATION DEPARTMENT														
16	Railway Plant	—	—	561	—	860	—	—	—	—	—	—	—	—
17	Motor Services	3,800	300	—	—	3,050	—	64,530	—	2,330	—	3,000	—	4,500
18	Ships, Tugs and Lighters	15,000	—	—	—	2,970	—	3,466	—	—	—	27,700	—	66,000
19	Dockyard Plant	—	—	3,960	—	3,545	—	—	—	—	—	1,090	—	2,700
20	Alga Beacons	—	—	—	—	—	—	—	—	—	—	—	—	—
Withdrawals on Account of Current Renewals		621,842	387,069	568,747	510,590	844,526	471,708	420,444	902,806	532,205	776,125	—	—	—
Annual Contribution on Full Life Basis		391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178
Balance in Fund at End of Year		3,372,862	3,776,941	3,904,372	3,473,960	3,605,209	2,924,679	2,395,413	2,383,786	2,241,758	1,856,811	—	—	—

50

Table H. 3.

HARBOURS

Appendix No. 2.

STATEMENT SHOWING ANNUAL CONTRIBUTIONS TO FUND ON FULL LIFE BASIS WITH ANNUAL WITHDRAWALS AND BALANCE IN FUND AT THE END OF EACH YEAR—FROM 1936 TO 1960

Item	DETAIL OF ASSETS	YEAR						
		1936	1937	1938	1939	1940	1940	
ENGINEERING DEPARTMENT								
1	Bridges	—	—	—	—	—	—	—
2	Refrigerating	—	—	—	—	—	—	—
3	Telegraph	—	—	—	—	—	—	—
4	Permanant Way	15,795	1,645	1,885	1,765	12,606	—	—
5	Buildings	1,388	—	—	—	5,570	—	—
6	Port Operating Machinery	684	—	—	—	—	—	—
7	Water Supplies	—	—	—	—	—	—	—
8	Plant	—	—	—	—	—	—	—
9	Wharves, Jetties, etc.	1,600	—	260	—	—	—	—
MECHANICAL DEPARTMENT								
10	Workshop Machinery	465	—	—	—	—	—	—
11	Cranes	3,320	—	—	—	—	—	—
12	Marine Equipment	12,700	—	—	—	—	—	—
HARBOURS DEPARTMENT								
13	Lighthouses and Other Lights	—	—	—	—	—	—	—
Total Overdues		35,942	—	—	—	—	—	—
Actual Balance in Fund 31-12-35		181,797	2,565	6,645	4,261	21,235	—	—
Balance in Fund if no Overdues Existed		145,855	25,240	25,260	25,260	25,260	25,260	25,260
Withdrawals on Account of Current Renewals		—	—	—	—	—	—	—
Annual Contribution on Full Life Basis		—	—	—	—	—	—	—
Balance in Fund at End of Year		168,650	187,165	208,925	229,924	233,949	—	—

51

Table R. 3—contd.

Appendix No. 2
 STATEMENT SHOWING ANNUAL CONTRIBUTIONS TO FUND ON FULL LIFE BASIS WITH ANNUAL WITHDRAWALS AND BALANCE IN FUND AT THE END OF EACH YEAR—FROM 1936 TO 1940—(Continued)

Item	DETAIL OF ASSETS	YEAR																
		1951	1952	1953	1954	1955	1956	1957	1958	1959	1960							
	ENGINEERING DEPARTMENT																	
1	Bridges					3,351	2,883				1,524	1,176		300	333			
2	Fencing			470		1,223	425			4,327	2,140			1,300	7,932			
3	Telegraph					1,292				4,327	2,140			1,300	36,850			
4	Permanent Way	43,413	420,631	135,372	530,547	130,395	130,395	130,395	130,395	130,395	130,395	130,395	130,395	130,395	130,395	130,395	130,395	130,395
5	Buildings	1,048	12,575	5,121	53,719	14,680	23,042	18,435	20,285									
6	Operating Machinery	350	350			590				1,000	300			1,850				
7	Water Supplies	743	84,609	9,248	1,048	547				3,191	800			3,600				
8	Pilot	620	4,194	30	100	340				1,800				1,750				
9	Lake Piers		4,040			34,485	555			300	560			1,065				
	MECHANICAL DEPARTMENT																	
10	Locomotives	290,500		24,480	112,020	8,510				160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000
11	Coaching Stock, Passenger		4,000			6,256				6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500
12	Coaching Stock, Non-passenger	10,500	3,000			4,000				4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
13	Goods Stock	42,100	14,300			339,471	98,255	66,880	156,950	257,200	202,275	202,275	202,275	202,275	202,275	202,275	202,275	202,275
14	Piers	13,863	3,325			50	4,299			4,888	4,888	4,888	4,888	4,888	4,888	4,888	4,888	4,888
15	Catering Plant																	
	TRANSPORTATION DEPARTMENT																	
16	Railway Plant		287,000	583,747	516,590	854,929	471,708	420,444	902,800	533,205	776,125							
17	Motor Services	3,800		653		360												
18	Ships, Tugs and Lighters	12,300				2,085												
19	Dockyard Plant					2,085												
20	Age Beacons					2,085												
	Withdrawals on Account of Current Renewals	451	391,175	201,175	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178
	Annual Contribution on Full Life Basis	391,175	391,175	201,175	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178	391,178
	Balance in Fund at End of Year	3,672,862	3,775,941	3,694,872	3,878,980	3,006,209	2,924,079	2,895,413	2,883,785	2,841,758	1,806,811							

Table H. 3.

Appendix No. 2.
 STATEMENT SHOWING ANNUAL CONTRIBUTIONS TO FUND ON FULL LIFE BASIS WITH ANNUAL WITHDRAWALS AND BALANCE IN FUND AT THE END OF EACH YEAR—FROM 1933 TO 1940

Item	DETAIL OF ASSETS	Overdue 31-12-35	YEAR															
			1936	1937	1938	1939	1940											
	ENGINEERING DEPARTMENT																	
1	Bridges																	
2	Fencing																	
3	Telegraph																	
4	Permanent Way					15,785	1,845	1,845	1,845	1,845	1,845	1,845	1,845	1,845	1,845	1,845	1,845	1,845
5	Buildings					1,388												
6	Operating Machinery					684												
7	Water Supplies																	
8	Plant																	
9	Wharves, Jetties, etc.					1,600												
	MECHANICAL DEPARTMENT																	
10	Workshop Machinery					465												
11	Cranes					3,320												
12	Marine Equipment					12,700												
13	Lighthouses and Other Lights																	
	Total Overdues	35,942					2,565	6,845	3,500	4,261	21,235							
	Actual Balance in Fund 31-12-35	181,797					25,290	25,290	25,290	25,290	25,290	25,290	25,290	25,290	25,290	25,290	25,290	25,290
	Balance in Fund if no Overdues Existed	145,855					168,500	187,165	208,925	229,924	233,949							
	Withdrawals on Account of Current Renewals						2,565	6,845	3,500	4,261	21,235							
	Annual Contribution on Full Life Basis						25,290	25,290	25,290	25,290	25,290	25,290	25,290	25,290	25,290	25,290	25,290	25,290
	Balance in Fund at End of Year						168,500	187,165	208,925	229,924	233,949							

Table H. 3—contd.

Appendix No. 2

STATEMENT SHOWING ANNUAL CONTRIBUTIONS TO FUND ON FULL LIFE BASIS WITH ANNUAL WITHDRAWALS AND BALANCE IN FUND AT THE END OF EACH YEAR—FROM 1936 TO 1960—(Continued)

Item	DETAIL OF ASSETS	YEAR												
		1941	1942	1943	1944	1945	1946	1947	1948	1949	1950			
ENGINEERING DEPARTMENT														
1	Bridges	—	—	—	—	—	—	—	—	—	—	—	—	—
2	Fencing	—	—	—	—	—	—	—	—	—	—	—	—	—
3	Telegraph	—	—	—	—	—	—	—	—	—	—	—	—	—
4	Buildings	1,845	1,645	1,445	1,645	1,445	1,645	1,445	1,645	1,445	1,645	1,445	1,645	1,445
5	Port Operating Machinery	1,754	952	952	3,585	4,898	4,898	4,898	4,898	4,898	4,898	4,898	4,898	4,898
6	Water Supplies	908	—	—	756	1,486	1,168	—	—	—	—	—	—	—
7	Plant	—	—	—	442	—	—	—	—	—	—	—	—	—
8	Wharves, Jetties, etc.	1,000	—	—	—	—	—	—	—	—	—	—	—	—
9		—	—	—	—	—	—	—	—	—	—	—	—	—
MECHANICAL DEPARTMENT														
10	Workshop Machinery	—	400	—	—	—	—	—	—	—	—	—	—	—
11	Cranes	—	800	—	—	—	—	—	—	—	—	—	—	—
12	Marine Equipment	3,050	—	—	—	—	—	—	—	—	—	—	—	—
HARBOUR DEPARTMENT														
13	Lighthouses and Other Lights	—	2,845	2,157	21,363	17,349	2,813	6,054	8,861	43,063	63,349	—	—	—
	Withdrawals on Account of Current Renewals	—	—	—	—	—	—	—	—	—	—	—	—	—
	Annual Contribution on Full Life Basis	250,462	272,267	295,650	293,477	277,723	300,155	318,461	334,860	317,057	253,968	—	—	—
	Balance in Fund at End of Year	—	—	—	—	—	—	—	—	—	—	—	—	—

Table H. 3—contd.

Appendix No. 2

STATEMENT SHOWING ANNUAL CONTRIBUTIONS TO FUND ON FULL LIFE BASIS WITH ANNUAL WITHDRAWALS AND BALANCE IN FUND AT THE END OF EACH YEAR—FROM 1951 TO 1960—(Continued)

Item	DETAIL OF ASSETS	YEAR												
		1951	1952	1953	1954	1955	1956	1957	1958	1959	1960			
ENGINEERING DEPARTMENT														
1	Bridges	—	—	—	—	—	—	—	—	—	—	—	—	—
2	Fencing	—	—	—	—	—	—	—	—	—	—	—	—	—
3	Telegraph	265	102	—	—	—	—	—	—	—	—	—	—	—
4	Buildings	1,645	1,645	1,645	1,645	1,645	1,645	1,645	1,645	1,645	1,645	1,645	1,645	1,645
5	Port Operating Machinery	375	—	—	456	2,577	15,291	839	9,982	900	759	—	—	—
6	Water Supplies	—	—	—	—	1,486	3,218	—	—	—	—	—	—	—
7	Plant	—	—	—	—	—	—	—	—	—	—	—	—	—
8	Wharves, Jetties, etc.	1,000	—	—	—	—	—	—	—	—	—	—	—	—
9		—	—	—	—	—	—	—	—	—	—	—	—	—
MECHANICAL DEPARTMENT														
10	Workshop Machinery	—	—	—	—	—	—	—	—	—	—	—	—	—
11	Cranes	10,325	400	225	400	13,000	—	—	—	—	—	—	—	—
12	Marine Equipment	1,300	750	750	800	14,700	1,100	550	—	—	—	—	—	—
HARBOUR DEPARTMENT														
13	Lighthouses and Other Lights	—	—	—	—	—	—	—	—	—	—	—	—	—
	Withdrawals on Account of Current Renewals	24,419	1,845	75,622	3,301	51,343	21,804	1,762	4,854	24,434	18,945	—	—	—
	Annual Contribution on Full Life Basis	20,260	25,269	25,260	25,260	25,260	25,260	25,260	25,260	25,260	25,260	25,260	25,260	25,260
	Balance in Fund at End of Year	209,918	233,453	232,071	254,030	227,947	231,403	254,901	275,307	276,133	282,448	—	—	—

Table R. 4

RAILWAY

Appendix No. 3

DETAIL STATEMENT OF OVERDUE AND CURRENT EXPENDITURE ANTICIPATED FROM 1936 TO 1941 UNDER ALL CLASSIFICATIONS OF ASSETS THAT BECOME DUE DURING THIS PERIOD

RAILWAY	Overdues 31-12-35	ANTICIPATED ANNUAL EXPENDITURE					
		1936	1937	1938	1939	1940	1941
	£	£	£	£	£	£	£
ENGINEERING DEPARTMENT							
2. Fencing							1,881
2.A Steel Pale Fencing							
2.B Post and Wire, C.I. Shooting, etc.	4,310						
3 Telegraph							
3.A.5 (a) Wooden Pole Routes, 22 p.p.m.	1,923	4,357	2,100	1,212	1,390		
3.B.2 (a) 400 lb. Iron Wire, Bombasa Samburu				13			
4 Permanent Way							
4.A 50 lb. Material:							
4.A.1 Ballast (40,000 cu. ft. section)	93,242	495		945	540	15,413	23,243
4.A.2 (a) All Wooden Track Sleepers	29,078	12,240		12,000			
4.A.2 (b) 50 lb. Steel Track Sleepers, Main Line	27,066						
4.A.2 (c) 50 lb. Steel Track Sleepers, Principal Lines					75,240		
4.A.2 (d) 50 lb. Steel Track Sleepers, District Lines				137,880	119,205		
4.A.2 (e) Steel ties per rail, all Sidings, excluding 1st Loops			7,800	45,360	49,410		
4.A.4 (a) 50 lb. Rail Joints, Main Line	14,280						
(b) 50 lb. Rail Joints, Principal Lines	28,520						
(c) 50 lb. Rail Joints, Branch Lines	54,960						
4.A.5 (d) 50 lb. Rail Joints in all Sidings, excluding 1st Loops	22,120						
4.A.5 (e) 50 lb. Points and Crossings	4,128	4,128	4,128	4,128	4,128	4,128	4,128
4.A.6 Turnout sleepers (Wooden)	3,002	3,002	3,002	3,002	3,002	3,002	3,002
4.B 80 lb. Material:							
4.B.1 Ballast (50,000 cu. ft. section)	23,996	2,312			10,376	23,996	
4.B.5 80 lb. Points and Crossings	1,359	1,359	1,359	1,359	1,359	1,359	1,359
4.B.6 80 lb. Turnout Sleepers (Wooden)	604	604	604	604	604	604	604
5 Buildings							
5.A Wood and Iron, Mud Brick, Coral, etc.:							
5.A.1 Offices, including Station Offices, Waiting Rooms, Dak Bungalows, etc.	25,634	1,532			1,002	977	
5.A.2 Stores, Goods Sheds, etc.	13,810	1,424	244		3,369	2,255	
5.A.3 Workshops, including Running Sheds, CXR Sheds, etc.	9,787						
5.A.4 (a) European Staff Quarters	61,620		2,221				
5.A.4 (b) Asian Staff Quarters	60,661	326		2,170	369	1,017	625
5.A.4 (c) African Staff Quarters (Including Running Rooms and Institutes)	5,985			441		697	
5.B Steel and C.I. Buildings:							
5.B.2 (c) Roofing of Stores	1,635	527			610		
5.B.2 (d) Flooring of Stores		352			407		
5.B.3 (c) Roofing of Workshops	8,742					265	
5.B.3 (d) Flooring of Workshops	5,828						
5.B.4 (c) African Staff Quarters	2,734						
5.C Stone and Concrete Buildings:							
5.C.2 (c) Roofing of Stores				330			
6 Station Machinery	2,160			350	350	1,590	
7 Water Supplies							
7.B Pipe Lines				6,681	906	510	7,923
7.C Service Tanks and Reservoirs				4,450		1,780	440
8 Plant							
8.A.1 Engineering Plant	8,500		900	800	400	1,750	
8.A.2 Workshop Machinery (Category A)	5,170		1,410		230	870	430

Table R. 4—contd.

Appendix No. 3

DETAIL STATEMENT OF OVERDUE AND CURRENT EXPENDITURE ANTICIPATED FROM 1936 TO 1941 UNDER ALL CLASSIFICATIONS OF ASSETS THAT BECOME DUE DURING THIS PERIOD

RAILWAY	Overdues 31-12-35	ANTICIPATED ANNUAL EXPENDITURE					
		1936	1937	1938	1939	1940	1941
	£	£	£	£	£	£	£
9 La'se and River Piers							
9.A.1 Timber Piers, Open Piling	31,715		300		625		
9.A.2 Timber Piers, Box Type	1,750			500		1,000	
9.B Composite Piers, Timber and Steel or Concrete:							
9.B.1 Timber in Composite Piers	10,245				240		
9.F Dock Gates	500						
MECHANICAL DEPARTMENT							
Locomotives—							
Locomotives, Type 15,500-lb. Tractive Effort				14,400	26,000	15,600	
Coaching Stock (Passenger Carrying)—							
First Class (4-wheel)	(2)	1,750					
First and Second Class (Bogie)	(6)	5,100	4,200				
First and Second Class (4-wheel)		850					
Second Class (Bogie)			4,200		1,400		
Second Class (4-wheel)	(2)	1,200					
Second and Third Class (Bogie)			1,400				
Third Class (4-wheel)	(73)	58,400					
Restaurant Cars (Bogie)	(1)	6,350					
Inspection Coach (4-wheel)	(4)	3,460					
Inspection Coach (Bogie)	(2)	5,800					850
Service Van (4-wheel)	(22)	19,225					
Horse Box	(6)	4,800					
Pay Vans	(3)	2,550					
Ration Vans	(4)	3,200					
Relief Coaches	(45)	37,950					
Relief Coaches	(2)	1,900					
Intermediate Coaches	(5)	4,250					
Coach (Bogie)	(1)	1,400					8,400
Coach (4-wheel)	(3)	2,100	2,800				
Goods Stock—							
Covered Goods Wagons (4-wheel)	(214)	64,200					
Covered Goods Wagon (Bogie)	(1)	700					
Cattle Trucks	(21)	18,375					
Low Sided (4-wheel)	(187)	51,425					
Low Sided (Bogie)	(1)	650					
High Sided (Bogie)	(1)	675					
High Sided, Fenced (4-wheel)	(137)	41,100					
High Sided, Fenced (Bogie)	(8)	5,600					
Powder Van	(3)	1,300					
Water Tank	(56)	26,600					
Oil Tank (4-wheel)	(4)	1,800					
Kerosene Tank (4-wheel)	(2)	1,050					
Rail Trucks	(97)	24,250					
Platform Wagons (4-wheel)	(5)	1,250					
Platform Wagons (Bogie)	(50)	30,000					
Relief and Store Vans (4-wheel)	(39)	11,700					
Relief and Store Vans (Bogie)	(3)	2,100					
Sheep Trucks							1,900
Pig Wagons	(2)	1,750					
Machinery							
Pumps and Boilers		7,586	258		508	974	200
Workshops, Category A		32,712	160	3,025	2,318	300	954
Workshops, Category B		29,465	800		350	2,988	2,173
Electric Motors		1,745					1,640
Cranes, Hoists, etc.		4,875		250	600		
Ice Making Plant							
Laundry Machinery							553
							330
TRANSPORTATION DEPARTMENT							
Transportation, Railway Section—							
Decauville Wagons		860					

Note.—Figures in brackets denote numbers of vehicles.

R. 4—contd.

Appendix No. 3

DETAIL STATEMENT OF OVERDUE AND CURRENT EXPENDITURE ANTICIPATED FROM 1936 TO 1941 UNDER ALL CLASSIFICATIONS OF ASSETS THAT BECOME DUE DURING THIS PERIOD

RAILWAY	Overdues 31-12-35	ANTICIPATED ANNUAL EXPENDITURE					
		1936	1937	1938	1939	1940	1941
	£	£	£	£	£	£	£
Motor Transport Section—							
Motor Lorries	900	—	3,900	—	3,000	3,600	3,800
Trailers	—	—	—	—	—	400	—
Staff Car	—	—	—	—	—	500	—
Workshops Machinery	—	—	—	—	—	300	—
Marine Section—							
Hulls of Deep Draft Ships	36,000	—	36,500	—	—	—	—
Decks of Deep Draft Ships	2,000	—	—	—	—	—	—
Winches of Deep Draft Ships	5,200	—	—	—	—	—	—
Hulls of Light Draft Ships with Heavy Plating	12,800	—	17,500	—	—	—	—
Decks of Light Draft Ships with Heavy Plating	500	—	—	700	—	—	—
Boilers	3,000	—	—	1,000	—	—	—
Deep Draft Tugs	8,000	—	—	—	—	—	—
Light Draft Tugs	—	—	—	—	—	—	10,000
Deep Draft Lighters, Heavy Plating	17,450	—	—	—	—	—	—
Light Draft Lighters, Heavy Plating (Hulls)	—	—	—	—	300	—	—
Light Draft Lighters, Heavy Plating (Bottoms)	6,900	—	—	2,200	1,000	3,000	5,800
Light Draft Lighters, Light Plating	—	—	—	—	—	—	5,000
Motor Launches, Hull, Wooden	—	630	—	—	—	—	—
Motor Launches, Hull Steel	870	—	—	—	—	—	—
Motor Launches, Engines for	—	—	—	550	—	—	—
Floating Plant, Freshing Pontoon	2,500	—	—	—	—	1,800	—
Internal Combustion Engines	350	1,118	—	—	—	—	—
Steam Engines	695	—	—	—	—	—	—
Workshop Machinery, Category A	940	—	100	200	—	—	—
Workshop Machinery, Category B	9,667	—	—	350	225	—	—
Workshop Machinery, Category C	900	—	230	—	—	—	—

Table H. 4.

Appendix No. 3.

HARBOURS

DETAIL STATEMENT OF OVERDUE AND CURRENT EXPENDITURE ANTICIPATED FROM 1936 TO 1941 UNDER ALL CLASSIFICATIONS OF ASSETS THAT BECOME DUE DURING THIS PERIOD

HARBOURS	Overdues 31-12-35	ANTICIPATED ANNUAL EXPENDITURE					
		1936	1937	1938	1939	1940	1941
	£	£	£	£	£	£	£
ENGINEERING DEPARTMENT							
4 Permanent Way—							
4.A 50 lb. Material:							
4.A.2 (a) Wooden Track Sleepers	1,530	—	—	—	—	900	—
4.A.2 50 lb. Steel Sleepers	2,700	—	—	—	—	1,800	—
4.A.4 50 lb. Rail Joints	1,900	—	—	—	—	200	—
4.A.5 50 lb. Points and Crossings	275	275	275	275	275	275	275
4.A.6 (a) Turnout Sleepers (Wooden)	200	200	200	200	200	200	200
4.A.6 (b) Diamond Crossing Sleepers (Wooden)	—	—	—	—	—	60	—
4.B 80 lb. Material:							
4.B.2 (a) 80 lb. Wooden Track Sleepers	8,820	—	—	—	—	7,761	—
4.B.5 (a) 80 lb. Points and Crossings	810	810	810	810	810	810	810
4.B.6 (a) 80 lb. Turnout Sleepers	360	360	360	360	360	360	360
4.B.6 (b) 80 lb. Diamond Crossing Sleepers	90	—	—	240	120	210	—
5 Buildings—							
5.A Wood and Iron, Mud Brick, Coral, etc.							
5.A.4 (a) European Staff Quarters (Temporary)	—	—	—	—	—	—	1,754
5.A.4 (c) African Staff Quarters (Temporary)	256	—	—	—	—	—	—
5.B Steel and C.I. Buildings:							
5.B.2 (c) Roofing of Stores	—	—	—	—	—	3,342	—
5.B.2 (d) Flooring of Stores	—	—	—	—	—	2,228	—
5.C Stone and Concrete Buildings:							
5.C.2 (c) Roofing of Stores	828	—	—	—	—	—	—
5.C.2 (d) Flooring of Stores	304	—	—	—	—	—	—
6 Part Operating Machinery—							
6.A.2 Crane Tracks:							
6.A.2 (a) Longitudinal Timber Sleepers (Pine)	327	—	—	—	—	—	908
6.A.2 (b) Transverse Timber Sleepers (Pine)	357	—	—	—	—	—	—
7 Water Supplies—							
7.B.2 Pipe Lines	—	—	—	—	—	209	—
8 Plant—							
8.A.1 Engineering Plant	—	—	—	260	—	—	—
9 Wharves and Jetties—							
9.A Steel Landing Pontoon and Gangway	1,600	—	—	—	—	—	—
9.B Timberwork in Jetties	—	—	—	—	—	—	1,000
MECHANICAL DEPARTMENT							
Workshop Machinery—							
Workshop Machinery, Category B	240	—	—	385	—	—	—
Workshop Machinery, Category C	225	—	—	—	—	—	—
Cranes—							
Steam Cranes	3,320	—	5,000	—	700	—	—
Hand Cranes	—	920	—	—	—	—	—
Marine Equipment—							
Steam Tugs and Launches	8,000	—	—	—	—	—	—
Motor Boats	3,900	—	—	970	999	—	1,300
Mooring Buoys and Anchors	800	—	—	—	—	2,850	1,100
Light Buoys	—	—	—	—	—	—	750
Port Department—							
Aga Lights in Exposed Position	—	—	—	—	800	—	—

DETAIL STATEMENT OF OVERDUE AND CURRENT EXPENDITURE ANTICIPATED FROM 1936 TO 1941 UNDER ALL CLASSIFICATIONS OF ASSETS THAT BECAME DUE DURING THIS PERIOD

RAILWAY	Overdues 31-12-35	ANTICIPATED ANNUAL EXPENDITURE					
		1936	1937	1938	1939	1940	1941
	£	£	£	£	£	£	£
Motor Transport Section—							
Motor Lorries	900	—	3,900	—	3,000	3,600	3,800
Trailers	—	—	—	—	—	400	—
Staff Car	—	—	—	—	—	500	—
Workshops Machinery	—	—	—	—	—	300	—
Marine Section							
Hulls of Deep Draft Ships	36,000	—	36,800	—	—	—	—
Decks of Deep Draft Ships	2,000	—	—	—	—	—	—
Winches of Deep Draft Ships	5,200	—	—	—	—	—	—
Hulls of Light Draft Ships with Heavy Plating	12,800	—	17,600	—	—	—	—
Decks of Light Draft Ships with Heavy Plating	600	—	—	700	—	—	—
Boilers	3,900	—	—	1,000	—	—	—
Deep Draft Tugs	8,000	—	—	—	—	—	—
Light Draft Tugs	—	—	—	—	—	10,000	—
Deep Draft Lighters, Heavy Plating	11,400	—	—	—	—	—	—
Light Draft Lighters, Heavy Plating (Hulls)	—	—	—	—	300	—	—
Light Draft Lighters, Heavy Plating (Bottoms)	6,600	—	—	2,200	1,000	3,000	5,800
Light Draft Lighters, Light Plating	—	—	—	—	—	—	5,000
Motor Launches, Hull, Wooden	—	630	—	—	—	—	—
Motor Launches, Hull, Steel	870	—	—	—	—	—	—
Motor Launches, Engines for	—	—	—	330	—	300	—
Floating Plant: Dredging Pontoon	2,500	—	—	—	—	1,000	—
Internal Combustion Engines	350	1,115	—	—	—	—	—
Steam Engines	695	—	—	—	—	—	—
Workshop Machinery, Category A	940	—	100	200	—	—	—
Workshop Machinery, Category B	9,867	—	—	350	225	—	—
Workshop Machinery, Category C	900	—	236	—	—	—	—

HARBOURS

DETAIL STATEMENT OF OVERDUE AND CURRENT EXPENDITURE ANTICIPATED FROM 1936 TO 1941 UNDER ALL CLASSIFICATIONS OF ASSETS THAT BECAME DUE DURING THIS PERIOD

HARBOURS	Overdues 31-12-35	ANTICIPATED ANNUAL EXPENDITURE					
		1936	1937	1938	1939	1940	1941
	£	£	£	£	£	£	£
ENGINEERING DEPARTMENT							
4 Permanent Way—							
4.A 50 lb. Material:							
4.A.2 (a) Wooden Track Sleepers	1,530	—	—	—	—	900	—
4.A.2 50 lb. Steel Sleepers	2,700	—	—	—	—	1,800	—
4.A.4 50 lb. Rail Joints	1,000	—	—	—	—	200	—
4.A.5 50 lb. Points and Crossings	275	275	275	275	275	275	275
4.A.6 (a) Turnout Sleepers (Wooden)	200	200	200	200	200	200	200
4.A.6 (b) Diamond Crossing Sleepers (Wooden)	—	—	—	—	—	60	—
4.B 80 lb. Material:							
4.B.2 (a) 80 lb. Wooden Track Sleepers	8,820	—	—	—	—	7,791	—
4.B.5 (a) 80 lb. Points and Crossings	810	810	810	810	810	810	810
4.B.6 (a) 80 lb. Turnout Sleepers	360	360	360	360	360	360	360
4.B.6 (b) 80 lb. Diamond Crossing Sleepers	90	—	—	240	120	210	—
5 Buildings—							
5.A Wood and Iron, Mud Brick, Coral, etc.							
5.A.4 (a) European Staff Quarters (Temporary)	—	—	—	—	—	—	1,754
5.A.4 (c) African Staff Quarters (Temporary)	256	—	—	—	—	—	—
5.B Steel and C.I. Buildings:							
5.B.2 (c) Roofing of Stores	—	—	—	—	—	3,342	—
5.B.2 (d) Flooring of Stores	—	—	—	—	—	2,228	—
5.C Stone and Concrete Buildings:							
5.C.2 (c) Roofing of Stores	828	—	—	—	—	—	—
5.C.2 (d) Flooring of Stores	304	—	—	—	—	—	—
6 Port Operating Machinery—							
6.A.2 (a) Crane Tracks:							
6.A.2 (a) Longitudinal Timber Sleepers (Pine)	327	—	—	—	—	—	905
6.A.2 (b) Transverse Timber Sleepers (Pine)	357	—	—	—	—	—	—
7 Water Supplies—							
7.B.2 Pipe Lines	—	—	—	—	—	209	—
8 Plant—							
8.A.1 Engineering Plant	—	—	—	260	—	—	—
9 Wharves and Jetties—							
9.A Steel Landing Pontoon and Gangway	1,660	—	—	—	—	—	—
9.B Timberwork in Jetties	—	—	—	—	—	—	1,000
MECHANICAL DEPARTMENT							
Workshop Machinery—							
Workshop Machinery, Category B	240	—	—	385	—	—	—
Workshop Machinery, Category C	225	—	—	—	—	—	—
Cranes—							
Steam Cranes	3,320	—	5,000	—	700	—	—
Hand Cranes	—	920	—	—	—	—	—
Marine Equipment—							
Steam Tugs and Launches	8,000	—	—	—	—	—	—
Motor Boats	3,900	—	—	970	998	—	1,200
Mooring Buoys and Anchors	800	—	—	—	—	2,850	1,100
Light Buoys	—	—	—	—	—	—	750
Port Department—							
Aga Lights in Exposed Position	—	—	—	800	—	—	—

Table R. 5

RAILWAY

Appendix No. 4

STATEMENT SHOWING THE ANNUAL CONTRIBUTION AND ACCRUED DEPRECIATION AT 31st DECEMBER, 1935, IN RESPECT OF RAILWAYS WASTING ASSETS BASED ON REPLACEMENT COSTS AND LIVES AS REVISED (RAILWAYS, MARINE AND MOTOR SERVICES)

CLASS OF ASSET	Replacement Cost	Annual Contribution on Full Life Basis	Accrued Depreciation as at 31st Dec., 1935
	£	£	£
Bridges	971,359	10,515	231,419*
Fencing	21,744	886	12,858
Telegraphs, Tablet Instrument and Headquarters Exchange	164,504	3,702	36,543
Permanent Way	4,569,110	129,162	*1,817,997
Buildings	2,301,889	42,265	892,856
Station Machinery	45,550	1,256	18,594
Water Supplies	272,779	6,736	122,180
Engineering and Stores Plant and Workshop Machinery	37,732	2,548	26,197
Lake and River Piers, Wharves, etc.	91,005	4,445	60,874
Locomotives	1,209,000	48,390	398,372
Coaching Stock (Passenger Carrying)	510,600	17,033	208,019
Coaching Stock (Other Classes)	272,250	9,339	156,615
Goods Stock	2,258,875	75,375	939,145
Mechanical Plant and Workshop Machinery	205,859	11,430	130,221
Catering Plant	2,080	141	946
Railway Services Plant	4,343	261	1,778
Motor Vehicles and Workshop Machinery	18,050	1,850	9,615
Ships, Tugs, Lighters and Boats	587,960	23,533	362,870
Dockyard Plant and Machinery	50,211	2,326	23,204
Agas Beacons	3,900	81	436
Total	13,598,800	391,178	5,145,135
Balance in Fund at 31st December, 1935	—	—	1,532,469
Theoretical Shortfall at 31st December, 1935	—	—	3,612,666

*Includes Turnout Sleepers accrued at 4/10ths of Replacement Cost and Points and Crossings at 9/20ths of Replacement Cost.

Table H. 5

HARBOURS

Appendix No. 4

STATEMENT SHOWING THE ANNUAL CONTRIBUTION AND ACCRUED DEPRECIATION AT 31st DECEMBER, 1935, IN RESPECT OF HARBOURS WASTING ASSETS BASED ON REPLACEMENT COSTS AND LIVES AS REVISED

CLASS OF ASSET	Replacement Cost	Annual Contribution on Full Life Basis	Accrued Depreciation as at 31st Dec., 1935
	£	£	£
Bridges	7,362	70	1,205
Fencing	2,076	71	206
Telegraphs	—	—	—
Permanent Way	97,864	5,150	*45,385
Buildings	389,022	6,502	77,003
Operating Machinery	20,901	782	5,727
Water Supplies	2,386	121	1,068
Plant	2,460	136	1,023
Wharves and Jetties	27,300	878	4,891
Cranes and Fire-fighting Appliances	3,261	211	1,478
Craft and Buoys	156,935	6,355	56,549
Workshop Machinery	80,438	4,559	40,082
Lights and Beacons	6,420	425	2,540
Total	796,425	25,960	337,537
Balance in Fund at 31st December, 1935	—	—	191,706
Theoretical Shortage at 31st December, 1935	—	—	58,739

*Includes Turnout Sleepers accrued at 4/10ths of Replacement Cost and Points and Crossings at 9/20ths of Replacement Cost.

APPENDIX V

(A) INSTRUCTIONS GOVERNING THE ALLOCATION OF EXPENDITURE IN CONNECTION WITH REPLACEMENTS, WITHDRAWALS, ETC., ISSUED OCTOBER, 1923, AND REPRINTED APRIL, 1929.

IV.—Insurance Fund (Marine).

This fund has been established by credits from revenue account for the purpose of replacing or making good losses or damage to steamers, tugs, lighters, etc., by shipwreck, fire, collisions or other risks. Expenditure against this fund is included in estimates for sanction by the Legislature and the Secretary of State.

V.—Renewals Funds, Railways and Marine.

These funds are established by credits from revenue account for the purpose of replacing or renewing wasting assets.

Expenditure against these funds is included in estimates for sanction by the Legislature and the Secretary of State, but the management may approve of reallocations in respect of individual items within the limits of the total expenditure sanctioned.

PRINCIPLES GOVERNING THE ALLOCATION OF EXPENDITURE AS BETWEEN THE ABOVE FUNDS.

IV.—Insurance Fund (Marine).

Expenditure against the Marine Insurance Fund is limited to making good losses of or damage to steamers, tugs, lighters and other marine craft arising through wreck, fire, collision or other marine risks.

V.—Renewals Funds.

Expenditure against the Renewals Funds includes the total cost of labour and materials used in the replacement of assets as shown hereunder when such cost exceeds £250. Where additional value results from replacement by increased weight, size, improved type or quality of material, a proportion of the total cost of materials will be charged to Betterment (to be capitalized):—

- (1) Bridges or culverts
- (2) Permanent way, relaying, resleepering and re-ballasting of track in lengths of one-half mile and over.
- (3) Fencing.
- (4) Level crossing.
- (5) Signals.
- (6) Telegraph lines.
- (7) Buildings, fixtures, engine sheds, turntables, water supplies, fuelling plant, electric light and power plant, workshops and machinery, steamers, tugs, lighters, etc. (except when covered by IV).
- (8) Replacing deck and engine-room machinery.
- (9) New boilers for locomotives and steamers.
- (10) Renewing decking in vessels.
- (11) Rolling stock to the extent of the accrued depreciation of rolling stock in service as certified by the Mechanical Engineer.

Note.

(a) The value of old material returned to stores in connection with the above works is to be credited to the Renewals Fund.

(b) To avoid raising loans, new rolling stock required to meet additional traffic requirements may be purchased from the Renewals Fund to the extent to which funds are available, provided the Mechanical Engineer can give a certificate under (11). No adjustment of capital account is to be made in respect of such purchases, but all credits in respect of stock withdrawn from service are to be passed to the Renewals Fund.

(B) INSTRUCTIONS GOVERNING THE ALLOCATION OF EXPENDITURE IN CONNECTION WITH REPLACEMENTS, WITHDRAWALS, ETC., ISSUED SEPTEMBER, 1934, AND IN OPERATION AT THE DATE OF THIS REPORT.

III.—Renewals Funds.

1. The Renewals Funds are maintained by annual contributions from revenue based on the estimated lives of the respective classes of wasting assets, to provide for their replacement in kind as this becomes necessary and also to make good the accrued depreciation on all wasting assets in service.

2. The following rates of contribution are in force:—

Railways.—2½ per cent on capital cost of wasting assets.

Marine.—Nil until 31st December, 1935; position to be reviewed in 1935.

Motor Vehicles.—20 per cent on capital cost.

Harbours.—

	Per cent on Capital Cost.
Kilindini Old Pier	1½
Wharf and Jetties	3
Penders	10
Railways and Sidings	3
Electrical Installation: Cranes and Equipment	5
Crane Roads	3
Macadamized Roadways	10
Tugs, Launches and Pontoons	5
Lights, Buoys and Beacons	10
Water Supply	2
Brick Transit Sheds	1
Transit Sheds and Goods Sheds, etc.	2
Fencing	6
Stations and Offices, etc.	4
Godowns	9
Staff Quarters	1

3. In 1939, and thereafter at ten-year intervals, the position of the fund will be re-examined when, with the approval of the Secretary of State, the rates of contribution may be revised, if such a course is found to be necessary.

4. Save as the result of such decennial examinations, the rates of contribution shall not be varied, neither must they be suspended in any circumstances.

5. Registers giving a description of each wasting asset, the date placed in service, funds from which provided, cost and estimated rate of depreciation, and also giving similar information in respect of each renewal or improvement, must be maintained by the departments responsible for the maintenance of such assets.

6. The Secretary of State's sanction must be obtained before recourse is had to Renewals Funds, directly or indirectly, to meet any emergency for which the funds in reserve are insufficient.

7. With the approval of the Secretary of State, however, surplus balances (up to the minimum of accrued depreciation which must exist at any one time and which, so far as can be foreseen, will never be required in cash for the purpose of renewals) may be transferred to Capital Account as contributions from Renewals Funds for investment in additional capital assets.

8. In the case of worn-out wasting assets which are being replaced, expenditure from Renewals Funds is restricted to works and equipment the present-day cost of replacing which in kind exceeds £250.

9. Replacement in kind may be defined as meaning that the new wasting assets substituted for the old shall be substantially similar in capacity, service and accessories, and have a physical condition and expectation of life in service equal to that of the replaced wasting asset when acquired, or, if improved after acquirement, when in its best condition.

10. When additional cost results from replacement by increased weight of metal in the case of permanent way, increased tractive effort in the case of locomotives, increased carrying capacity in the case of other rolling stock, or generally by wasting assets of different type, size or quality of material, such additional cost, when exceeding £250, is charged to Betterment Funds and capitalized, or is charged to Loan Funds, otherwise to Working Account.

11. In the case of wasting assets prematurely withdrawn from service on account of accident or obsolescence, Renewals Funds will be charged with the cost of replacement in kind up to the value of the expired life of such wasting asset, calculated on the original or improved cost without any minimum as to amount.

12. In the case of assets withdrawn from service and not replaced, Renewals Fund is debited with the value of the expired life of the asset, calculated upon its original or improved capital cost, without any minimum as to amount.

13. The renewal of any class of asset in respect of which no contributions are made to Renewals Funds cannot be a charge against those funds.

14. Generally speaking, charges against Renewals Funds in respect of the replacement of assets are restricted to the complete renewal of individual items of plant or equipment whose cost of replacement in kind exceeds £250.

15. Exceptions, however, are permitted in cases where parts of an asset which in themselves exceed £250 in replacement cost have shorter lives than the principal part of the asset.

For example, either the complete re-laying, re-sleeping or re-ballasting of the running track in continuous sections of half-a-mile or over may be considered as a complete renewal. Similarly the renewal of boilers in steamers or locomotives and the replacement of deck and engine-room machinery in steamers may be so treated. The governing factors here are that the replacement in kind of part of a single asset must exceed £250 in cost, that the replacement of that part must be complete, and that its normal expectation of life must be substantially shorter than that of the complete asset.

The renewal of the paintwork on an asset or group of assets would in no circumstances be a charge against Renewals Funds.

16. The grouping of items, the total original cost of which exceeded £250, is permitted when such items form a definite series, when complete renewal is involved, and when proper contributions have been made to Renewals Funds in respect of such items. For example, the renewals at one time of the weighing machines of a number of stations would be a proper charge against these funds, while the renewal of isolated machines would not, even though contributions had been made to the funds in respect of the originals.

PART II.—WORKS.

II.—Replacement of Wasting Assets.

1. When the cost of replacing a wasting asset in kind does not exceed £250, or when such asset is of a class which has not contributed to Renewals Fund, such cost is charged to Working Account.

2. When the cost of replacing in kind a wasting asset of a class contributing to Renewals Fund which is completely worn out exceeds £250, the whole cost of replacement in kind is charged to Renewals Fund.

3. When an asset of a class contributing to Renewals Fund is not completely worn out, but is replaced on account of obsolescence or damage caused by accident, the Renewals Fund is charged with the cost of replacement in kind when such cost exceeds £250 up to the value of the expired life of the original asset calculated on its original or improved cost, without any minimum as to amount. The difference, if any, between the cost of replacement in kind and the amount charged to the Renewals Fund, is debited to Net Revenue Account when exceeding £250, otherwise to Working Account.

4. When additional value results from replacements by increased weight of metal in the case of permanent way or by assets of different type, size or quality of material, etc., the increased cost over the cost of replacing the original asset in kind is charged to Betterment or Loan Funds in accordance with the instructions laid down under Part I, Sections IV and V, of these regulations.

5. When lesser value results from replacement by a different type, size or quality of material, etc., and the original cost exceeded £250, the original asset must be withdrawn from capital account and the new asset capitalized if costing more than £250, otherwise the new asset will be charged to Working Account.

III.—Assets Withdrawn from Service and not Replaced.

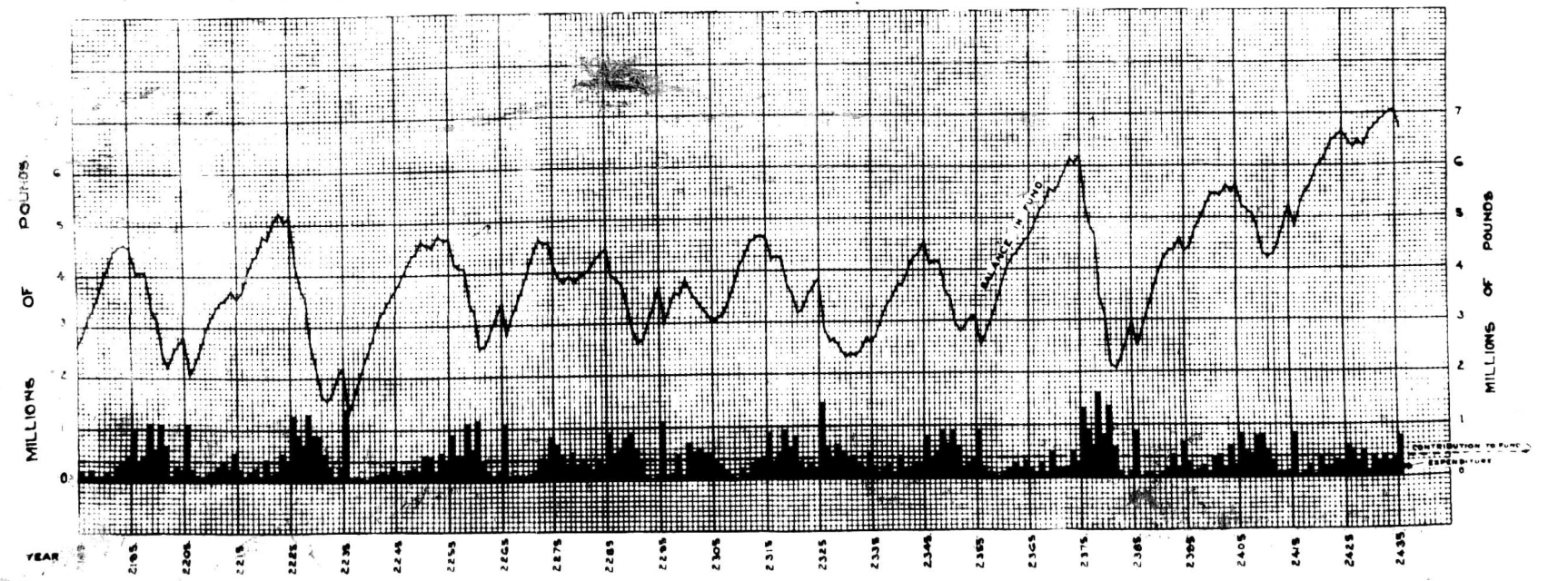
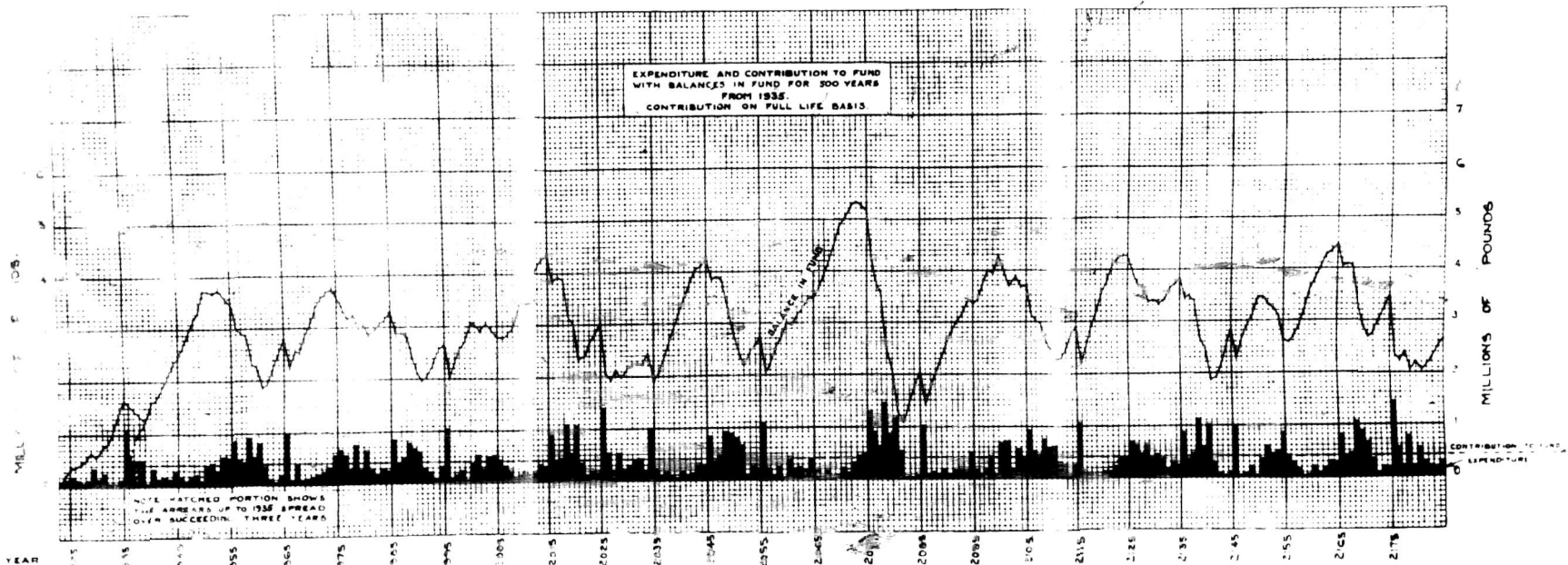
1.—Open Line Assets

(a) When an asset, the original cost of which did not exceed £250, is withdrawn from service and is not replaced, no adjustment is necessary.

(b) When the original cost of an asset exceeded £250, Renewals Fund is debited with such cost up to the value of the expired life of the asset, when of a class contributing to Renewals Fund, calculated upon its original or improved capital cost without minimum as to amount. The difference between the contribution from Renewals Fund and the original or improved capital cost is charged to Net Revenue Account without minimum as to amount. The sum of the amounts charged to Renewals Fund and Net Revenue (i.e. the original or improved capital cost) is credited to the appropriate head of Capital Account expenditure, and becomes available for the purchase of additional capital assets.

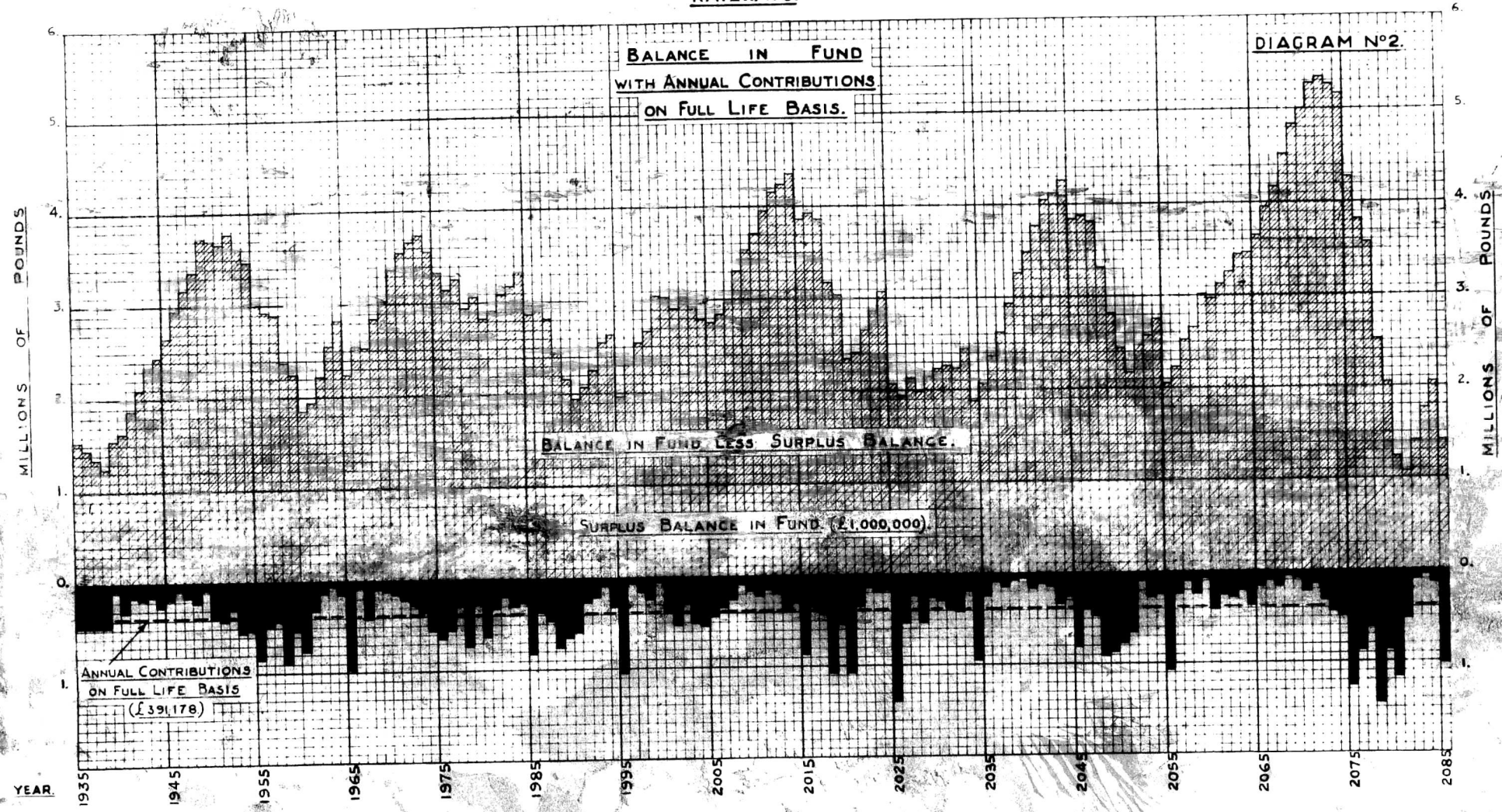
— RAILWAYS. —

DIAGRAM No. 1.



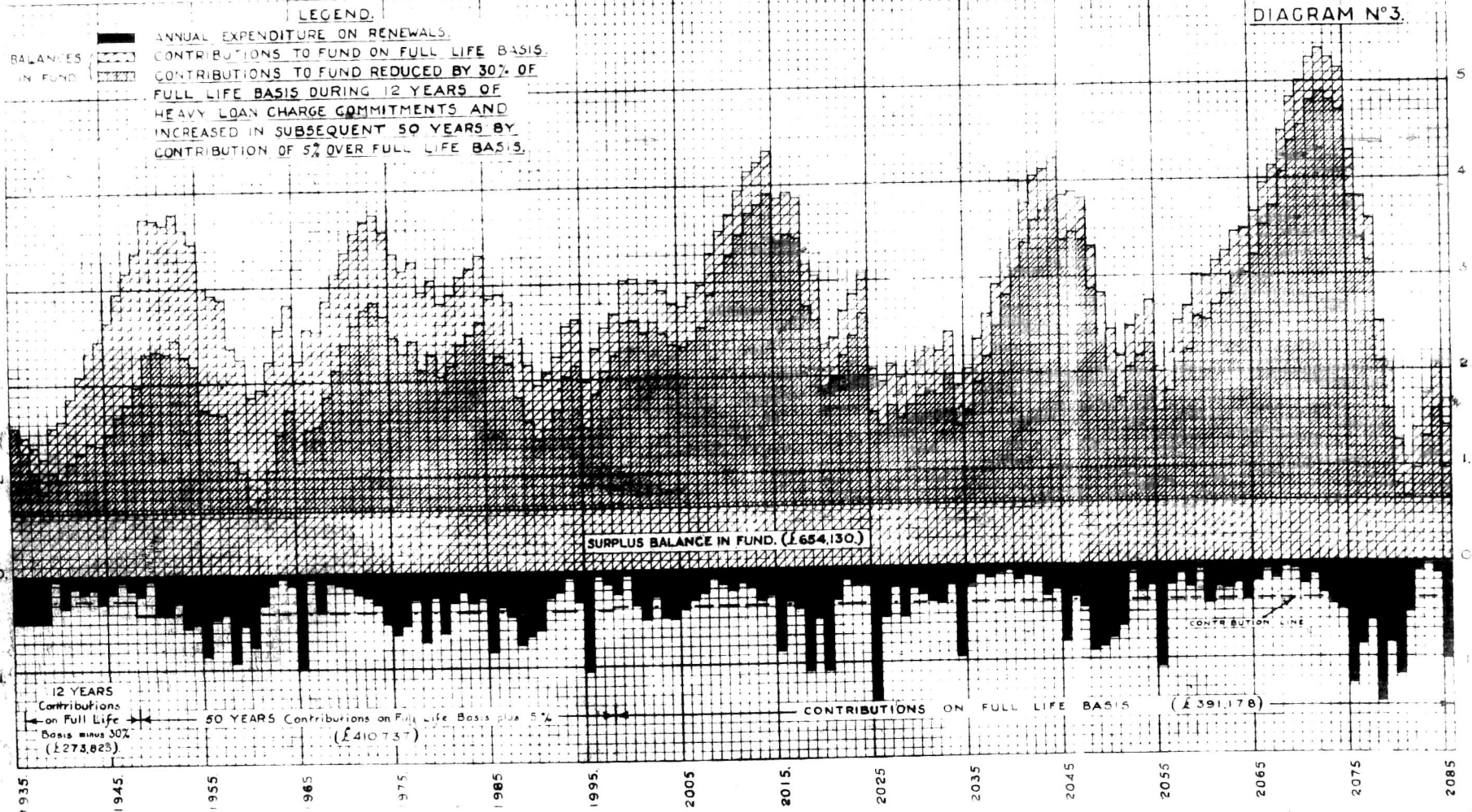
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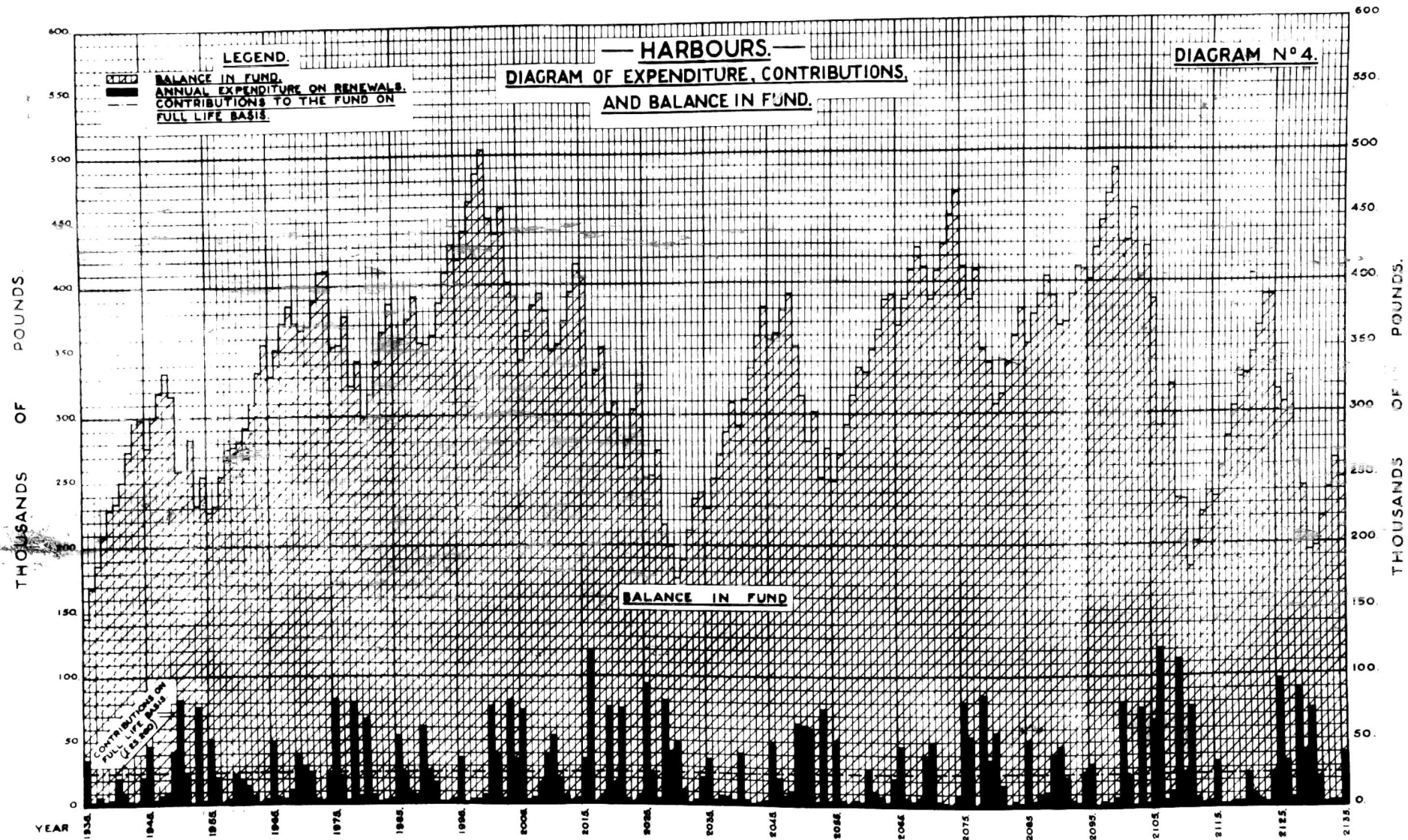
DIAGRAM N°2.



— RAILWAYS. —

DIAGRAM N°3.





THOUSANDS OF POUNDS.

THOUSANDS OF POUNDS.

