

1936

Kenya

No. 38179/16

SUBJECT

C0533/472

Kenya-Uganda Railways and Harbours

Estimates, 1937

Previous	
Subsequent	

1. H.C., HIGH COMM. FOR TRANSPORT.....3PN.....31.10.36.
 Trs. copies of draft Estimates for 1937 together with
 Genl. Manager's Memoranda thereon and report of sub-
 committee of Harbour Advisory Board; comments of the
 High Commr. will follow by early air mail.

2. HIGH COMM. FOR TRANSPORT.....85.....12.11.36.
 Trs. comments on Estimates together with memo. on the
 financial position of the Railway at the end of August,
 Supplementary Ests. for 1935 & First Supplementary Ests.,
 1936 stating that both Supplementary Ests. have rec'd
 approval of Leg. Co. of Kenya and are being submitted to
 Leg. Co., Uganda at end of Nov. S. of S. will be advised
 by telegram when the approval of Uganda Leg. Co. has been
 given after which the High Commr. requests approval of
 S. of S. as soon as possible.

Handwritten: H.C. Transport - 12.11.36
 H.C. Transport - 12.11.36

The approved estimates for 1936 envisaged

a net surplus of £107,026 from the Railway and a
 net loss of £68,914 on the Harbours (total surplus
 £38,112).

1936 has been another extraordinarily
 successful year as the results for the first eight
 months show. *During that period* the Railways yielded a surplus of
 £388,835 and the Harbours a surplus of £43,031
 (total surplus £431,866).

While the rate of increase has not been
 maintained since the beginning of September, it is
 anticipated that the surplus on the year's working
 will be no less than £420,000.

The surplus has been allocated as follows:-

	£
Contribution to Betterment Fund (Railways)	100,000
Contribution to Betterment Fund (Harbours)	27,608
Reserve for Widows' and Orphans' Pensions Scheme	48,000
General Reserve Account	<u>244,600</u>
Total	<u>420,208</u>

*See page 4
 of last
 year's
 Estimate
 1935.*

General Reserve Account.

	£
1934 appropriation	26,708
1935 "	319,161
1936 "	<u>244,600</u>
Total as at 1.1.37.	<u>590,469</u>

*See page 87
 General Manager's
 Report for 1935.*

The Estimates for 1937 provide for a net surplus of £307,582 (Railways) and £1,087 (Harbours) - total £319,169.

It is proposed that the 1937 surplus, less £16,000 for a Pensions Reserve Account, should be appropriated to Betterment Funds. *(See Memorandum A.)*

It will be seen that in estimating the gross revenue of £2,474,565, allowance has been made for rate reductions at a total cost of approximately £155,000, additional to £40,000 already granted for petrol from the 1st of August. Final decision on the allocation of the £155,000 set aside for rates reductions has been deferred pending further discussion by the Railway Advisory Council at their meeting on the 20th of November.

It is important to note that Renewals Fund contributions have been calculated on a 2 1/2% basis.

Betterment Funds.

On the 31st December, 1936, the Betterment Fund Balances were:-

	£.
Railways	61,173.
Marine	5,415.
Harbours	<u>15,611.</u>
	<u>82,199.</u>

The Estimates for 1936 envisaged an expenditure of £11,129 only from Betterment Funds during the year. A heavy works programme has been prepared for 1937, thus it has been found advisable to allocate £127,608 of the 1936 surplus to Betterment Funds.

Abstracts "I" and "M" on pages

76 and 77 of the 1937 Estimates show that expenditure on works will be as follows:-

Railways, Road and Marine Services	£.
Expenditure in respect of works already sanctioned.	443,709.
(Including £17,604 from Betterment Funds)	
Expenditure on new works (including £43,569 from Betterment Funds)	<u>330,491.</u>
	<u>774,200.</u>

Harbours.

Expenditure in respect of works already sanctioned	14,434.
Expenditure on new works	<u>19,542.</u>
(Including £3105 from Betterment Funds.)	<u>33,956.</u>

The Estimates have been carefully prepared and they can, I think, be approved, but we shall have to invite the Treasury's concurrence.

I submit drafts *common*

It is now with 9.12.36

The Supplementary Est. 1936, with the first Supplementary Est. 1936 have been passed by the House of Commons and may be sanctioned in the Report appearing in the 1937 Rail Estimates.

C.H.

J.P. Cassin 10/11

Not reduced from Class 4 to Class 5 with effect from 1/1/37 vide Memorandum A to RAC 11/11/36

Sir John Campbell.

I send this through you, but there is not much in it that calls for comment. The draft represents all that I think need be said to the Treasury and the only thing to say is that the situation appears to be thoroughly satisfactory. It will be seen that they are contemplating a fairly heavy expenditure on works. This is probably necessary as we know that they have been cheese paring for some time past. But a total expenditure on various works amounting to £754,390 in one year is a somewhat staggering programme. I think they think they can carry it out, and I believe that Sir Godfrey Rhodes could move mountains if necessary.

The Renewals Fund is placed at 2½ per cent and we shall probably hear no more of the 3 per cent proposal for some time but I am quite sure that it is only in suspended animation.

The working of the current year has produced a large surplus over their estimates and by paying £244,000 into the General Reserve Account, that will stand just under ^{£600,000} £600,000 at the 1st of January. You will remember that the General Manager aimed at £1 million, but he evidently thinks that ^{£600,000} £600,000 is enough to go on with, so he proposes to leave it alone and now proceed to build up his Betterment Fund. Further, provision is being made for fairly substantial reductions in rates. I think that it is about time now that we invited Kenya to consider the question of possible rate reductions

reductions as a whole and to evolve a definite policy where required, rather than to go on making piece-meal reductions here and there. We know that the General Manager wanted to carry out such a rate revision as part of his general scheme of things when he had got a sufficient surplus and now as he now has his surplus, he may as well get on with the rate revision.

J. E. O. Flood

14.12.1936

I agree generally. But I am somewhat doubtful as to the advisability of pressing on them, officially, a general examination of the rate-reduction question. It is a most thorny subject; it demands special local knowledge; and we know that the G M (supported by the two Govts.) did not wish to take it up till he had a million pound reserve behind him available for revenue-equalisation purposes.

I don't like the piece-meal rate reduction method at all; the G M said most emphatically that he did not also; and the Govts. supported him. And yet that seems to be what is happening.

With Mr. Flood, I'd like the possibility of a general rate revision examined, as soon as possible; but it might perhaps be better not to put this officially. We could easily inject the idea, in probably a more palatable and less embarrassing form, S.O.?

The 17th: December, 1936.

J. E. O. Flood
17/12/36
and at the same time ask for more details (assuming we have not got them) of the situation, was G.M. had. J.E.O.

Sir John Campbell.

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14.12.1936

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The 17th: December, 1936.

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We think we can question them
 on our present information.
 Passengers will resist, they may bring
 in more money (as in the first case)
 while there may still be room for
 removing handbags in some of the
 goods vans. I am glad that the
 same result

I ff passed

W.S. 18/12/36

Treasury (Windsor) 11/1/37

DESTROYED UNDER STATUTE

Sent to Library 15/12

See to High Com. for Transport — 12.11.36
 The 12 additional copies of Supplementary Estimates for 1935
 + First Supplementary Estimates for 1936.

7. High Com. for Transport — 96 — 9.12.36
 Enclose copies of a notice prepared for local publication
 containing a summary of the principal reductions which
 will take effect from 1.1.37 and inform those stating
 that copies of the necessary amendments to Tariff Book will
 be first as soon as they are available.

No. 6. Petty
 No. 7. ? Copy to Treasury of
 Cif. Ref. 5.

(The reductions are very considerable and
 fairly general in character. The
 assistance to farmers, & certain
 industries e.g. Pyrethrum, Sugar, Coffee
 & Cotton will be welcome) C.K. 11/1/37

99. Pami 8/1

This represents a very large reduction

The freight on a ton of goods to Nairobi (380 miles)

Class I	Class II	Class III (less 10%)
£20 8 58	£15 16	£13 10 5

to Kampala (840 miles)

£33 9 76	£26 12 68	£23 19 66
----------	-----------	-----------

Class III to which all Class II goods will be reduced
 is £10 6 76 to Nairobi and £19 4 to Kampala

All the articles in the top classes are of course more or less
 bulky articles - champagne & spirits are class I other wine II
 so the benefit will accrue to the settler not to the natives
 But the natives goods are already carried at low rates whether
 for import or export so there need be no change of discrimination.

J.E.W. Ho-D

For the same reason I am inclined to think that
 the T.T. will have no great cause for complaint
 as regards the Lake Victoria basin. But his
 letter should see.

To Treas. is prepared

W.S. 18/12/36

8 So Treas. (w/c. 7 + end) 1/1/37

The budget losses as at X
 9. Memo for Railway Advisory Council - Rates Reduction - 1937
 Action as at X in S. }
 Loan process m. o. 1/1/37
 + See Cotton Seed Ind. of 1/1/36
 10. Memo for Railway Advisory Council - Cotton Seed Industry.
 (Encl. to (5) on 31/7/36 - H.C. TRANSPORT - CONF. - 10/12/36)

seen. These reductions are not being applied to the T.T. Luke party, see end of memo. in (7). J.H. Alder 23.1.37

Anglo Party (Lu Wood)
C. J. G. Smith
25/1/37
at me.

11 High Comm for Transport - TEL N° 1 - 4.2.37
Request earliest possible approval of 1937 Estimates
proposes to authorize forthwith the expenditure covered by schedule L. + D. (See N° 4 on 32/1/35).

12. TREASURY (S. 39419/37) 5.2.37.
Concurs generally in S. of S's proposal to approve the Estimates on the basis submitted but prefers to postpone a decision as to actual disposal of the surplus until the final out-turn of the year is known.

Staff Tel to H. H. Transport
herewith.
C. J. G. Smith
5/2/37

13 2 H. G. T. P. C. 1. - 11/2/37 - 6.2.37.

air mail - 4/3 1/4 to H. H. Transport - 6.2.37.

AIR MAIL 4/3 1/5 20 H. H. Transport - 25 (40.5% and +12) - 4/3/37

16. L. H. FREESTON (S/O TO MR. FLOOD) 11.3.37. b
Acks. (14) with comments and states that he hopes to reply more fully with regard to general rates reduction policy when he has spoken to Rhodes.

I attach a copy of Mr. Wade's letter, the original of which will be found on 33173/2. As regards the general policy, I think that the K.M.R. is now satisfied with its general reserve and proposes to follow a cautious policy of rate reduction. This doesn't matter very much, however.

As regards the horrid fallacy of Sir Alan Pim, all I said to Mr. Freeston was that Sir Alan had stated that the recent reductions were all for the white, and I added that I was able to say that the black man's stuff was already low in the rates table and had been lowered on last year's reductions, which Sir Alan had admitted. The letter from Mr. Wade and its enclosure really go quite a long way to justify everything that Sir A. Pim said. It must be remembered that he was only talking about the last batch of rate reductions, about which there was some talk in the Press. In these reductions it appears that the items which may be said to benefit the natives are the reduction of cotton cloth and piece goods from Class 1 to Class 2, and the reduction on beads, which will not benefit anybody very much. The reduction in the rate on bicycles may benefit the native a little, but lowering the charge on goat skins will probably not, as the difference will go into the pocket of the dealers. The reduction in third-class fares is admittedly a help, but would have to be done anyhow in view of motor competition.

I don't want to be dragged into a semi-official correspondence with Mr. Freeston about this, but I think I may reply as per draft herewith.

(and all fares were reduced, 1st & 2nd class as well as 3rd.)

Good

J. L. G. P. 20

18. To Mr. Keeton (16 And.) 12.4.37
19. MR. FREESTON (S/O TO MR. FLOOD)..... 16.3.37.
In further reply to (14) discusses points arising from a talk he has had with the Genl. Manager about his rates reduction policy.
20. FINANCIAL RESULTS OF WORKING - 1936.
21. HIGH CORR. TRANSPORT..... 29..... 17.3.37.
Trs. copies of two memoranda reconciling the apparent discrepancies between 1937 Fats of K.U.R. and those of Kenya & Uganda, respectively.

No 19 is really answered by No 18, but is of interest as showing ^{K.U.R.} ~~Keeton's~~ policy over rail rates. As stated it is in accord with Sir O. Mansel's reduce the high rates & leave the low ones alone. The £ 600,000 which they have now got is considered enough for the purpose, the £ 1,000,000 having been aimed at on the basis of 2% renewals (The fact, by the way, shows that Sir O. Mansel must have been more uneasy about the adequacy of 2% than he pretended.)

So I think we can leave this point. Rates are being considered & the higher ones will be reduced as circumstances justify.

30 is still provisional, but we might send a copy to Treas. with a copy of our despatch (NO 15) for record.

21. can be put by.

J.C.C. 20.4.37

Argument, about it and about, as regards relative advantages to one class or another, from rate reductions, can clearly be almost endless:--and I am afraid will almost invariably be unconvincing, to one partisan or the other. The railway, is going on a " railway" basis, which seems the correct method; but, despite that, the " relative advantage" question has clearly been kept in mind; and I do not think we could reasonably cavil at the broad result.

2. Gen: Rhodes is evidently linking the renewals

fund, and the rate-reduction stabilising fund, in his mind. With 2 1/2% renewals, he thinks £ 600,000 a sufficient balance to warrant general rate reductions; with 2%, he would have wanted the round million pounds. All that will, I am afraid, be heresy to the Treasury:--another " horrid fallacy", in fact. But I'd say nothing about it. We can safely leave things to work out, it seems to me, on the present basis. We thought--with what seemed to us sound reason--that 2% would be enough to cover all renewal demands, and leave the fund in a quite satisfactory state at the end of 1940 (I think it was). Nothing has happened to alter that conviction. And no trouble will arise, unless and until the railway has in fact to draw on the renewals fund for assistance to meet anything other than renewals. That seems unlikely to occur; and, if it does occur, we can meet that situation when it happens.

The 21st: April, 1937,.

[Handwritten signature]
21/4/37

If we regard the £ 400,000 as a standby in case of unexpected renewals the position seems reasonable enough.

The fly in the ointment is a large and poisonous creature.

As proposed.

W.C.C. 21.4.37
[Handwritten signature]

22 To freeston 50. (19 and) 27 4. 37.

23 To Treasury. (w/c 15+20) 30 4. 37.

CONFIDENTIAL TO ACCOUNTS DEPARTMENT.

✓
A 50 ✓
K 50 ✓
18

~~24 H. G. Transport 3p (w/c 20/1/25) 1/1/38~~
~~Enc. copy of first supplementary estimate 1938.~~

23
8

G. O.

Mr. Grossmith 24/4/37

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.

22 APR
0 261

Downing Street,

30 April, 1937.

Sir,

I am etc. to refer to your

letter of the 5th of February (No.S.

38119/37) regarding the Estimates of

the Kenya and Uganda Railways and

Harbours for the year 1937, and to

transmit to you for the information of

the Lords Commissioners of the

Treasury, a copy of a despatch which was

sent to the High Commissioner for

Transport, Kenya and Uganda.

A copy of the statement, dated

the 2nd of February, 1937, on the

financial results of the working of the

Railways and Harbours is also enclosed

for their Lordships' information.

I am, etc.

(Signed) J. E. W. FLOOD

DRAFT.

THE SECRETARY,
TREASURY.

12

To H.C. Transport 4/3/37 (5)
without such.
Financial Results, 1937 (20)

FURTHER ACTION.

No Draft

Downing Street.

27th April, 1937.

Dear Freston,

I think I ought to say something in reply to your letter of the 16th of March, reference T/F/A9, about rates reduction and so forth. It was really answered by my letter of the 12th of April which was prepared before I received yours, but I thought it well to get the approval of higher authority before sending it off. As a result it did not go till the 18th after your letter of the 16th had turned up.

However, I do not think there is any point requiring further correspondence. The policy of the renewal fund and reserve fund seems all right, though whether My Lords Commissioners of His Majesty's Treasury would say the same, I do not know. As you know, we have always thought that

that

at 2 per cent. renewals would be quite
enough, and now that you have got 2½ per cent.
renewals and £600,000 reserve, everything in
the garden appears to be happy. Anyhow my
successor can tackle the Treasury in 1933.

Yours sincerely,



1121

TRANSPORT
KENYA-UGANDA

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

NO. 29

RECEIVED
12 APR 1937
C

17th March, 1937.

Sir,

With reference to Sir Joseph Byrne's despatch, Transport No.40 of the 25th May, 1936, I have the honour to enclose, for your information, copies of two memoranda reconciling the apparent discrepancies between the 1937 Estimates of this Administration and those of Kenya and Uganda, respectively.

I have the honour to be,

Sir, -

Your most obedient, humble servant,

LB Franklin

fs

HIGH COMMISSIONER

THE RIGHT HONOURABLE
W.G.A. ORMSBY GORE, M.P.,
SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET, S.W.1.

1. Contribution from Railway for Maintenance of
Railway Telegraph Wires and Other Services

Revenue Estimates of Kenya Colony and
Protectorate, page 11 item 9

6,509

Railways and Harbours Estimates

Page 21 "A"V

Less contribution to Uganda Government

8,300

1,735

6,565

difference 56

This difference is due to this Administration having made provision for rental charges on a slightly longer wire mileage than the Colony's figure, and to a small difference in the provision for "miscellaneous" services.

2. Prisons - Personal Emoluments

Revenue Estimates of Kenya Colony and
Protectorate page 13 Item 17

-1,970

The Railway Estimates do not provide specifically for this reimbursement to Government, which is in respect of Prisons Department supervision at the Concrete Factory, Nairobi, but a debit is accepted monthly by this Administration against "Advances" Concrete Factory. When the concrete products are charged out to specific works, the price includes proportionate supervision costs.

3. Medical Services

Revenue Estimates of Kenya Colony and Protectorate
page 13 item 18

6,000

Railways and Harbours Estimates pages 56 and 73

Railways Abstract H.XIV £7,000 and Harbours Abstract
F.11 £450 - Less £1,200 paid to Uganda Protectorate

6,250

Difference 250

This difference is accounted for by the fact that the Railway figure includes an additional sum for miscellaneous payments to private practitioners, and for special treatment such as X-ray etc.

4. Audit Department

Revenue Estimates of Kenya Colony and Protectorate
page 13 item 24

3,725

Railways and Harbours Estimates page 46 E.IV.

4,125

Difference 400

The difference is due to payment of Travelling allowance and proportionate expenditure in respect of Home Colonial Audit, paid direct by this Administration.

5. Police (Railway and Port)

Revenue Estimates of Kenya Colony and Protectorate
page 13 items 25 and 26

7,696

Railways/

Railways and Harbours Estimates
 Page 48 Abstract "3" V. (a) 25,542
 " 73 " "3" VII (a) 2,271

Difference 23,271

This difference is due to the inclusion in the Railways and Harbours Estimates of travelling and overtime allowances which are paid direct to the Police staff.

6. Contribution in lieu of Rates

Revenue Estimates of Kenya Colony
 and Protectorate page 13 item 28 2,288

Railways and Harbours Estimates pages 66 and 73 31,250

Difference 1,962

This difference is mainly due to a contribution of £700 payable to the Uganda Government and approximately £350 in respect of rates on the Magedi Soda Company's property at Mombasa, now taken over by this Administration. The balance of £912 is due to this Administration having made provision for a slight increase in the rates in Nairobi, whereas the provision made by the Colony is on the basis of the rate applied during 1936.

7. The amount of £311 shown on page 67 of the Railways and Harbours Estimates in respect of contribution by Government of half cost of working the S.S. "Rasini" is met from Item 175 on page 11 of the Colony's Estimate of the expenditure "Upkeep of Boats and Launches".
8. The reimbursement of £707 in respect of Stamp Duty Reserve Fund, provided in the Administration's Estimates on page 71 forms part of the sum of £850 shown on page 34 Item 1 of the Colony's Expenditure Estimates.
9. The amount of £140 in respect of the rent of Land - M'Baraki, provided in the Colony's Expenditure Estimates on page 54 Item 28, is in respect of land administered by this Administration at M'Baraki and Kilindini and is included in the Harbours Earnings.
10. Railway Share of Income from Stamp Duty Reserve Fund £2,500 vide Colony's Expenditure Estimates provided on page 55 item 42.
 This item has been included in the Railways Net Revenue Account - "Interest on Cash Balances Investment and Advances" and in the Harbours Net Revenue Account - "Interest on Stamp Duty Reserve Fund" on pages 9 and 10 respectively of the Railways and Harbours Estimates.
11. The amount of £2,000 shown in the Colony's Expenditure Estimates on page 55 item 6 is in respect of instalment of compensation for removal of Railway houses in the vicinity of the City Square, Nairobi, the removal being necessary to enable the area to be relinquished by this Administration for Municipal purposes.
12. The sum of £385 being 7/31st of £1,702 in respect of salary etc. of Mr. Freeston, Secretary to the Governors' Conference,

has been included in the Colony's Expenditure Estimate on page 108.

13. Interest on Unspent Balances of £3,500,000 (1928) Loan

The amount of £13 in respect of above provided in this Administration's Estimates on page 79 is not shown in the Colony's Estimates, since the unspent balances of the transport proportion of this Loan is in our hands.

14. This Administration's Estimates shew on page 79 amounts of £650 and £314 in respect of interest on unspent balances of the £3,500,000 (1928) and £3,400,000 (1930) Loans. Specific provision for the amounts in question is not made in the Colony's estimates as it is the practice to debit the interest on the unspent balances of these loans to the item "Interest, Surplus and Loan Balances", appearing as Item 4, Head X on page 13 of the Colony's Revenue Estimates.

1. <u>Uganda - 1932 Loan of £2,000,000</u>		
Estimate of Uganda Protectorate Page 6 Item I - Interest		44,145
Estimates of Railways and Harbours Page 79 Item I - Interest	44,371	
Less: reimbursement from Uganda Government in respect of Telegraph line (included in £271)	226	44,145
2. <u>Estimates of Uganda Protectorate Page 6 Item I - Sinking Fund</u>		8,829
Estimates of Railways and Harbours Page 79 Item I - Sinking Fund	8,874	
Less: reimbursement from Uganda Government in respect of Telegraph line (included in £271)	45	8,829
3. <u>Loan Management Expenses</u>		
Estimate of Uganda Protectorate Page 6 Item I		177
Estimates of Railways and Harbours Page 56 (included in amount shown in sub-head VIII)		177
4. <u>Medical Attendance Railways and Marine Staffs</u>		
Estimates of Uganda Protectorate Page 6 Item 2		1,200
Estimates of Railways and Harbours Page 56 (included in amount shown in sub-head XIV)		1,200
5. <u>Estimates of Uganda Protectorate Page 6</u>		
Item 3 - Anti-Malarial Clearing	14	
" 4 - Half Municipal Expenditure - Namasagali and Butiaba	550	
" 5 - Scavenging Railway areas in other Townships	300	864
Estimates of Railways and Harbours page 21 - (included in sub-head A.VI)		864
6. <u>Maintenance of Telegraph wires and other Services</u>		
Estimates of Uganda Protectorate Page 8 Item 10		
(a) Maintenance	1,736	
(b) Miscellaneous	604	2,340
Estimate of Railways and Harbours page 21 (included in sub-head A.V.)		1,735
	Difference	605

The/

The amount of 2604 shewn under (b) above represents a reimbursement to the Uganda Government in respect of certain Capital and Renewals Works which will be carried out by that Government on behalf of this Administration. It is included in the provision for works shewn under Head VI of Abstract "L" on page 76 of this Administration's Estimates for 1937.

7. Annuity on account of the capital cost of the telegraph line - Kenya Border to Mbulamuti £
- Estimates of Uganda Protectorate Page 43 Item 6 157
- Estimates of Railways and Harbours Page 79 157

8. The amount of £128 in respect of interest on unspent balances of £2,000,000 (1932) Loan provided in the Railways Estimates on page 79 is not shown in the Uganda Protectorate Estimates, since the unspent balances of the transport proportion of this loan is in Railway hands.

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL.

FINANCIAL RESULTS OF WORKING - 1936.

The approximate financial results of working for 1936 are:-

Copy to Treas. 2/3

RAILWAYS:

	£	s	d
Earnings	2,528,182		
Ordinary Working Expenditure	1,140,016		
Depreciation	<u>361,226</u>		
Total	<u>1,491,242</u>		
Balance - Net Earnings	1,036,940		
Miscellaneous Receipts on Net Revenue Account		<u>75,626</u>	
Total			1,112,566
Loan Fund Charges	633,423		
Write-off of Dead Assets	66,328		
Rebate on Maize	<u>18,846</u>		<u>718,597</u>
Balance - Surplus			£393,969

HARBOURS:

Balance - Surplus			<u>36,188</u>
Total Surplus			£430,157

LESS:

Provision for Reserve for Depreciation of Securities			<u>10,734</u>
Total Surplus carried to the Combined Railways and Harbours Net Revenue Account			<u>£419,423</u>

2. The total surplus of £419,423 compared with the 1936 original Estimate of:-

Railways - Surplus	£		107,026
Harbours - Deficit		<u>68,914</u>	<u>38,112</u>

reflects an improvement on the original Estimates of £381,311

3. This is accounted for by:-

(1) Railway revenue exceeding the Estimate by	£ 412,182	
(2) Interest on Cash Balances and other receipts on Net Revenue Account exceeding the Estimate by	27,356	439,538

LESS:

(3) Excess of Total Working Expenditure over Estimate	65,555	
(4) Loan Charges exceeding Estimate by	5,136	
(5) Amount required for Dead Assets exceeding estimated provision by	65,388	
(6) Amount required for Rebate on maize exceeding the estimate by	18,846	
(7) Amount required for Reserve for Depreciation of Securities exceeding the estimated provision by	5,734	
(8) Amount estimated for write down of Stores Stocks, Transfer of Assets, etc., being in excess of Estimate to extent of	<u>2,730</u>	<u>163,329</u>

Net Improvement in Railway Accounts over 1936 Estimates 276,209

Harbour Surplus of 236,188 as compared with an estimated loss of 268,914 representing a net improvement of 105,102

Total £361,311

The foregoing figures are subject to audit.

4. The surplus, in accordance with the provision made in the First Supplementary Estimates for 1936 will be allocated as under (subject to the final figures on completion of audit):-

Contribution to Betterment Funds Railways	100,000
Contribution to Betterment Funds Harbours	36,188
Reserve for Widows' and Orphans' Pension Scheme	47,869
Amount transferred to General Reserve Account	<u>235,366</u>

Total £419,423

Ref. No. E.F. 128/34

GENERAL MANAGER'S OFFICE, NAIROBI.

2nd February, 1937.

19
D
137
16th March, 1937.

My dear Flood,

In further reply to your letter of the 4th March (No. 38179/16/36), I have now had a talk with the General Manager about his rates reduction policy. Two points emerge:-

- (a) Two or three years ago Rhodes formulated his ideas about a General Reserve Fund for the K.U.R. as follows:- If the Renewals contributions were reduced to 2% per annum, a reserve of £1,000,000 should be aimed at. If the Renewals contributions were to be left at 2½%, £600,000 would be enough. If contributions to Renewals were to be on an actuarial basis (then estimated at 3.11%), no General Reserve would be necessary, or even possible. As you know, the contribution is now stabilized at 2½%.
- (b) The rate reductions which were introduced on the 1st January, 1937, conform, in the main, to a definite policy, which is to reduce or abolish entirely the higher Classes. As you know all Class I commodities have been reduced, either to Class 2 or to Class 2 less 10%, and the old Class 2 has been reduced to Class 3. These changes account for about £85,000 out of the £160,000 devoted to rate relief this year. Of the remaining £75,000, £34,000 went in reducing passenger fares, leaving only £41,000 for miscellaneous downward adjustments (bicycles, sugar etc.). The definite policy which will, I imagine, continue to be followed at the end of 1937, if funds permit, is progressively to reduce or abolish the high rates without increasing the low rates. This is strictly in accordance with Mance (see paragraphs 45 - 47 of his Report),—and please get rid of the idea that the high rates apply only to goods carried for the benefit of Europeans. Blankets are still in Class 3, and cotton goods in Class 2 less 10%.

The/

The only fly in the ointment is that these reductions, which the Tanganyika Railways cannot possibly hope to afford, widen the gulf between the K.U.R. rates and the T.R. rates, and consequently increase the long-standing difficulties at competitive points on the Lake and at Moshi.

Yours ever,

A handwritten signature in dark ink, appearing to be 'K. H. ...', is written below the typed text.

C. O.

38179/16

18

Mr. Flood. 24

Mr.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

X Sir C. Bottomley 24 f

Sir J. Shuchburgh.

Permt. U.S. of S

Parly. U.S. of S.

Secretary of State

DOWNING STREET.

12 April, 1937.

Dear Freeston,

Your letter of the 11th of March, No. T/F/A. 9. We shall be glad to hear, in due course, what the general policy as regards rate reduction is, but with regard to the "herald fallacy" in my letter of the 4th of March, let me assure you that people will very definitely say what Sir Alan Pim does. First of all, he is only talking about the more recent reductions, taking effect from the 1st of January ¹⁹³⁷. The enclosure to Mr. Wade's letter of the 10th of March, shows that the only real benefit to the natives is the reduction in cotton cloth and cotton goods from the highest class to the next - *also beds*. Incidentally, as the highest class has

been

DRAFT.

L. B. FREESTON, ESQ., O.B.E.

FURTHER ACTION.

been abolished. It would have been an odd
thing to leave the cloth alone in its
category. ~~Mr. Tomlinson~~ ^{Mr. Tomlinson} remarks.
~~Mr. Tomlinson~~ ^{Mr. Tomlinson} has properly pointed out
that cotton piece goods should be charged
what the traffic can bear. Also the
reduction in third-class fares will no
doubt benefit the native, but only to the
extent that he chooses to travel. I am
afraid that anybody looking at the thing
^{coldly} ~~calmly~~ would say that since most of the
articles in Class 1 and Class 2 are articles
of interest to the European and not to the
native, any benefit in rates reduction must
obviously go to the European and not to the
black. Anyhow, I did point out to Sir A. Pim
in conversation that the reductions in 1935
had assisted the natives to some extent in
blankets and cotton piece goods, and I further
added that most native produce was already
carried at pretty low rates. He agreed with
this but he still said that it looked rather
odd.

C. O.

Mr.

Mr.

Mr.

Sir C. Parkinson

Sir G. Tomlinson

Sir C. Bottomley

Sir J. Stubbings

Peru. U.S. of S.

Parly. U.S. of S.

Secretary of State.

*There is likely to be
some official stuff
later on, when
Mr. Bryan comes along
at it.*

DRAFT.

FURTHER ACTION.

Be that as it may

Anyway, I don't want to

go into the matter or to fight it in
semi-official correspondence. In
my letter of the 4th of June, I
mentioned what I had said merely as
a warning that the point may be taken
and when future reductions are being
devised, I think it had better be
considered. My own ^{private} view is that it
is quite ~~wise~~ to start hunting about
to see whether a particular reduction
will benefit Tom, Dick, or Harry, in
the case of Kenya represented by the
European, the Indian, and the native.
The only sound principle is to tackle
the thing as a Railway problem and
Rhodes does not need anybody to tell
him that. But so long as you get
people getting up and saying that the
reductions are benefiting the farmer
or benefiting the lawyer or benefiting
the dentist, people will make compari-
sons.

Yours sincerely,

COPY

GOVERNMENT HOUSE,
NAIROBI,
KENYA.

10th March, 1937.

Dear Flood,

I thank you for your letter No. 8006/2/36 of the 25th February enclosing a copy of a letter which you have sent to Sir Robert Brooke-Popham on the subject of Native Taxation.

You say that two things will have to be done during the present year, viz: (1) the question of reducing the tax on plural wives will have to be gone into: and (2) the general investigation recommended by him will have to be set on foot. (I note that you expect this to take some years)

As to the first point, this will of course be gone into. Frankly, I do not like the idea of reducing the tax on extra wives and I have never seen the logic of it. I should have thought that it would be more logical to reduce the tax on the first or real wife, and increase the tax on the additional wives which are in the nature of luxuries. I asked Mitchell why he had adopted this system in Tanganyika and I told him that I could not see any logic in it. He said (and with this I entirely agree) that there is nothing that the ordinary native dislikes so much as having anybody (e.g. chiefs, headmen or hut counters) interfering with his women or even counting them. He therefore hoped to get away from a system which depended so much on the enumeration of women. However, when it came to the point he found that that would mean sacrificing more revenue than could be contemplated, and so he halved his original proposal. This means, of course, that the objection based on the enumeration of women remains. Pim gave no reason for recommending the adoption of the Tanganyika scheme except that he thought our natives are over-taxed and that we ought to introduce some relief. My own feeling is that if we are to introduce

COPY

GOVERNMENT HOUSE,

NAIROBI,

KENYA.

10th March, 1937.

Dear Flood,

I thank you for your letter No. 8008/2/36 of the 25th February enclosing a copy of a letter which you have sent to Sir Robert Brooke-Topham on the subject of native taxation.

You say that two things will have to be done during the present year, viz. (1) the question of reducing the tax on plural huts will have to be put on foot; and (2) the general investigation recommended by him will have to be set on foot. (I note that you expect this to take some years).

As to the first point, this will of course be gone into. Frankly, I do not like the idea of reducing the tax on extra wives and I have never seen the logic of it. I should have thought that it would be more logical to reduce the tax on the first or real wife, and increase the tax on the additional wives which are in the nature of luxuries. I asked Mitchell why he had adopted this system in Tanganyika and he told me that I could not see any logic in it. He said (and with this I entirely agree) that there is nothing that the ordinary native dislikes so much as having anybody (e.g. chiefs, headmen or hut counters) interfering with his women or even counting them. He therefore hoped to get away from a system which depended so much on the enumeration of women. However, when it came to the point he found that that would mean sacrificing more revenue than could be contemplated, and so he halved his original proposal. This means, of course, that the objection based on the enumeration of women remains. Pin gave no reason for recommending the adoption of the Tanganyika scheme except that he thought our natives are over-taxed and that we ought to introduce some relief. My own feeling is that if we are to introduce

introduce some relief it would be a much more reasonable proceeding to reduce tax all round - hut tax and poll tax from 12/- to 11/-. This would mean a general reduction of between £40,000 and £50,000.

I may add that there are many who agree with me and these are not only missionaries who object to polygamy. Incidentally, the remark about "encouraging licentious old savages to add to their collections of wives" is a remark of my own. However, I will see that this particular question is very fully considered by the Chief Native Commissioner, Provincial Commissioners and others whose business it is to interest themselves in the subject.

The general investigation, however, seems to me to present more difficulties and I don't quite know how to set about it. It is pretty well true to say that, at any rate since I came to Nairobi to Headquarters in 1924, the general investigation has never ceased. It used to be the custom at almost every Provincial Commissioners' meeting to argue the merits of a universal poll tax as opposed to a hut and poll tax, but the advocates of the universal poll tax were always defeated by a narrow majority. We also from time to time considered the possibilities of a cattle tax and a goat tax, also the possibilities of a property tax in substitution for or in addition to poll tax.

Also we spent a great deal of time trying to see how far we could get on with Moyne's proposals for a native cultivation tax, but the conclusion arrived at then was that at our present stage of development his proposal could not be put into practice. Recently, as you know, Walsh and Montgomery have had an investigation of their own. They started with the idea - at least I know that Montgomery did - that hut tax had outlived its usefulness and that something or other must be substituted for it. After considering, however, every possible form of tax that was suggested to them or that they could think of, they came to the conclusion that though the present system is

introduce some relief it would be a much more reasonable proceeding to reduce tax all round - hut tax and poll tax from 12/- to 11/-. This would mean a general reduction of between £40,000 and £50,000.

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far from perfect, they had not a better one to recommend. So that so far as a local enquiry is concerned, I do not quite know who the personnel would be. Every one of us has tried hard to find something better than the present system but we have not succeeded. Some years ago, when I was in the Chief Native Commissioner's office, I advocated the establishment of a Royal Commission to investigate the systems of native taxation in all the African Colonies because it seemed to me that there was probably not a perfect system anywhere, and that something of advantage might possibly eventuate from a general and comprehensive review, and even now I am not sure that if anything is to be done that would not be the best way to set about it.

As to whether our natives are over-taxed or not, it is difficult to come to a definite conclusion. I don't think that they are over-taxed in relation to the services which they receive, but it certainly has been true that during the years of depression they have found it difficult - or some of them have found it difficult - to find the necessary cash. In my experience, so long as the tax on a hut or a poll was about the same as a month's wage, there was no difficulty whatever in paying. As you know, the standard tax for a number of years has been 12/- and before the depression the average rate of pay for an unskilled labourer was round about 10/- or 12/- with food. With the depression, however, the rate of wages fell; they are now beginning to rise. Of course the wages were not by any means the only factor. The prices of their crops and of their stock fell in many cases to far less than half of what they had been accustomed to get. Prices have now gone up and I do not believe that they are going to find much difficulty in paying tax for 1937.

There is a lot of nonsense talked about the cash income of a native family being no more than £3 per annum, out of which they have to pay several taxes. It is quite true that
 in the case

in the case of a native family in a native Reserve the cash income may not be more than £3 per annum; it may very well be less. But it must be remembered that in addition to this cash income they have their land, their stock, their homes, free medical services and free schooling (up to a point) for their children. This means in effect that their £3 per annum is pocket money after they have been supplied with all the necessities of life. It is not so many years ago that the average native in the Reserve had no use whatever for cash. He regarded rupees as something which an unintelligible Government desired and he knew that somehow or other he has to produce a few of them every year for purposes of tax. So that an old man would say to his son: "D. C. will be coming round soon for rupees, we haven't got any, take a goat and buy rupees with it at the market". So that in those days there was no hardship in a man giving even a hundred per cent of his cash income in taxation. I don't pretend that such conditions obtain now: the change from a subsistence to an economic basis has been rapid beyond belief, but it should be realised that when people talk of a native family having to pay fifty or sixty per cent of its income in taxation, what they really mean is that they have to pay fifty or sixty per cent of their surplus after being provided with all the needs of life.

For natives who go to work outside their Reserve the situation is of course entirely different. My cook, for instance, who is a Kikuyu, receives about £4 a month. He is a Christian so he has only one wife. She lives on the family estate a few miles away with the children. The family estate is in reality quite a decent little farm in which my cook takes a great interest. He visits it regularly on a first-class English bicycle. His farm provides him and his family not only with the necessities of life but, I expect, with a considerable profit. His only direct tax is 12/- per annum. No one could say that he is over-taxed, and he is just an ordinary good, hard-working Kikuyu who started life with no particular advantages over any other.

26

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over any oth

over any

over any other Nkuyu except that his father had the sense to send him to the neighbouring mission school. I have a number of other retainers and retainers of like similar situation.

Here Jim has gone right off the rails. It is true to you that recent changes in the railway tariffs had resulted in benefit to the European and the African alike. This is a complete mis-statement of the position. The railway authorities were most careful to see that the benefits which were being introduced were fairly distributed throughout all communities. I enclose a note from Rhodes which shows that from recent changes natives have benefited directly to the extent of about £14,000. Even if it was referring only to the 1937 reductions, there are the items of £46,000 on selling cloth and piece goods, and £2,100 on white class passenger fares.

Incidentally they benefit indirectly from certain other reductions such as the £15,000 reduction in the rate on petrol. The natives are numerically by far the largest part of the motoring community (they travel in buses and lorries all over the Colony, whereas 20-30 years ago they used to walk) and the competition between the owners of the vehicles is so keen that it is almost impossible that any reduction in the cost of petrol should not be handed on to the travellers.

The total of the reductions which came into effect on the 1st December, 1935, were estimated to be £150,000; those with effect from the 1st January, 1937, £160,000; and the reduction in the petrol rate from the 1st August, 1936, £45,000, so that the total reductions have been about £350,000 out of which the natives have directly benefited to the extent of nearly a third, and indirectly to an amount which cannot be calculated.

Personally

Personally I think that him has been a bit of a nuisance though I suppose this is heresy. He certainly conferred a very great benefit on us by proving that no spectacular economies were possible and since his report we haven't heard a word about the extravagance of Government. For this he has earned our deepest gratitude but I wish he had shut up when he got as far as that, except, of course, that I am being entirely inconsistent when I say that I think he was entirely right to recommend Income Tax. On the native side of the question I am inclined to think he rushed in where an archangel would have hesitated on the brink, and quite frankly I don't believe he has understood the position.

I am keeping a copy of this letter and I will show it to Sir Robert when he arrives.

Yours sincerely,

(Signed) A. de V. Wade.

J. E. W. FLOOD, ESQ., C.M.G.,
COLONIAL OFFICE,
DOWNING STREET, S.W.1.
LONDON.

KENYA AND UGANDA RAILWAYS AND HARBOURS

GENERAL MANAGER'S OFFICE.

NAIROBI,

5th March 1937.

A. 1/37

The Secretary to His Excellency the
High Commissioner for East Africa,
Nairobi.

Four No. W/P/A. 1. of 1th instant.

I note the representations addressed to
Sir Robert Brooke-Popham and subjoin particulars of the rates
reductions of direct benefit to the native community with,
where available, an estimate of the annual relief:-

RATES REDUCTIONS OF BENEFIT TO THE NATIVES

<u>Date</u>		<u>Amount</u> <u>involved.</u>
1.12.35	Blankets Class 1 to Class 3	£29,700 (on 1936 Traffic)
"	Abolition of the line break of taper £10,000	No estimate
"	Reduced minimum goods charge £4,000	No estimate
"	Cotton piece goods Class 1 to 1 less 10%	£16,400 (on 1936 Traffic)
1.1.37	Sugar 6 to 7 and 7 to 9 £10,110	No estimate
"	Class 1 Luxury items to Class 2 - Beads	300
"	Class 1 balance to 2 less 10% Cotton cloth and piece goods 1 less 10% to 2 less 10%	£40,000 (on 1936 Traffic)
"	Class 2 to Class 3 - Bicycles	4,700
"	Goatskins to be charged as sheepskins	1,150

£92,650

1.1.37.

£92,650.

1.1.37	Seed cotton Class 8 to 10 between specified points	-
"	Third class passenger fares reduced	22,000
	Total -	<u>£114,650</u>

2. The foregoing do not take into consideration reductions that indirectly have benefitted native producers, as, for example, special reductions in the Wattle Bark rates, nor the impetus given to trade and industries by the general rates reductions from which the Africans benefit.

3. You will see from the above list that natives do in fact, benefit from recent rates reductions very considerably indeed. You will, of course, also be aware of the fact that our rates are not related in any way to the particular grower or producer. The rates are on a commodity basis and whether European or native grown or produced is immaterial so far as the Railway tariff is concerned.

(Signed) G. R. Rhodes

General Manager.

TELEGRAMS:-
" CONFED. NAIROBI."

REF. No. T/F/A.9.

OFFICE OF THE
CONFERENCE OF EAST AFRICAN GOVERNORS
P. O. Box 601,
NAIROBI, KENYA

RECEIVED
13 MAY 1937
C. O. REGY

11th March, 1937.

My dear Flood,

14

Many thanks for your letter of March 4th about the Railway Estimates (No.38179/16/36). As regards general rates reduction policy, I will reply more fully when I have spoken to Rhodes; but I hasten to ask you to disabuse your mind (and the minds of others) of the horrid fallacy latent in your last paragraph. Mr. Wade's letter to you of March 10th (about native taxation) included a complete exposure of Pim's hasty and inaccurate conclusion on the benefits to black and white of recent rate reductions; and you may also care to refresh your memory of what Roger Gibb had to say on the subject paragraphs 69-70 of the Gibb Report (September 1932).

Yours ever,

B. Mackinnon

J. E. W. FLOOD ESQ., C.M.S.,
COLONIAL SERVICE,
DOWLING STREET, S.W.1.

*at night room
R. 27
D. 27
193*

C. O.

38179/16/36.

- Mr. Grossmith. 26/2
- Mr. Paskin 27/2
- Mr. Flood. 27/2
- 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.

AIR MAIL

DOWNING STREET.

4 hand. February, 1937.

84

Sir,

I have etc. to ^{refer to} acknowledge

~~the receipt of your despatch No.85~~
of the 12th of November regarding the
Estimates of Revenue and Expenditure
for 1937 of the Kenya and Uganda
Railways and Harbours, and to
confirm my telegram No. 1 of the 6th
of February which read as follows:-

"Your telegram No.1.
Railway Estimates for 1937
approved subject to further
consideration of proposed
disposal of surplus when
result of year's working is
known. Despatch follows."

2. I note with satisfaction
that the ^{net surplus} ~~output~~ for 1936 is
likely to exceed £420,000 and that

it

DRAFT.

TRANSPORT
KENYA
UGANDA 25
HIGH COMMISSIONER

(2)

Copy to Secy R.S.

(3)

7/1/37 (5)
To Treasury
without such.
To Treasury 57/37 (12)

FURTHER ACTION.

C. O.

38179/16/36.

15

- Mr. Crossmith. 26/2
- Mr. Parkin 27/2
- Mr. Flood. 27/2
- Sir C. Parkinson.
- Sir G. Tomlinson.
- Sir C. Bottomley.
- Sir J. Shuckburgh.
- Permt. U.S. of S.
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- Secretary of State.

AIR MAIL

DOWNING STREET.

4 made February, 1937.

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DRAFT.

TRANSPORT
KENYA
UGANDA 25
HIGH COMMISSIONER

(2)
Copy to Treas
(3)

To Treasury 7/1/37 (5)
without encls.
From Treasury 27/2/37 (12)

FURTHER ACTION.

from
 it has been possible to provide for a surplus
 of £319,169 in 1937, after allowing for
 the considerable rate reductions ^{of} which you
~~particulars were given~~ *have described* in your despatch No.96 of
 the 9th of December. I desire to
 congratulate the whole of the staff of
 the Administration to whose efforts the
 successful position of the Railways and
 the improvement in the financial position
 of the Harbours is largely attributable.

⑦

3. I enclose a copy of correspondence
 with the Treasury, from which it will be seen
 that Their Lordships prefer ^{that} to postpone a
 decision as to the actual disposal of the
~~anticipated surplus~~ *shd. be postponed* until the financial
 outturn of the year is known, and that they
 must not, at present, be regarded as
 committed to agreement in the allocations
 shown in the Combined Net Revenue Appropriation
 Account on page 8 of the Estimates. ~~It will~~
 be glad to consider any representations *which*
 you wish to make on this point at a later
 date.

C. O.

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

DRAFT.

*(See copy 2/1/37
 1/1/37
 2/1/37)*

4. I take this opportunity to
 convey to you my approval of the
 Supplementary Estimates 1935, and the
 First Supplementary Estimates 1936.
 As regards the latter, I have addressed
 you separately with regard to the
 inclusion therein of a sum of £48,000
 as a reserve for the Widows' and Orphans'
 Pensions Scheme.

I have, etc.
 (Signed) W. ORMSBY GORE.

REPLY BY ACTION.

C. O.

38179/16/36

34
14

Mr. Grossmith. ^{26/2}
 Mr. ^{Hoskin 27/12}
 Mr. ^{Flood 27/12}
 Sir C. Parkinson.
 Sir G. Tomlinson.
 Sir C. Bottomley.
 Sir J. Stuckburgh.
 Permt. U.S. of S.
 Parly. U.S. of S.
 Secretary of State.

AIR MAIL

DOWNING STREET.

4 Mar
February, 1937.

Handwritten signature (16) + (19)

S.O. for Mr. Flood's signature.

1-MAR
D 12

Dear Freeston,

2 DRAFT.

A despatch goes by this

L.B. FREESTON, ESQ., O.B.E.

mail approving the Railway Estimates.
 As regards rate reductions, we have
 said nothing beyond noting those
^{which have been} reductions introduced with effect
 from the 1st of January, but it has
 been suggested that it is about time
 we invited the General Manager to
 consider the question of possible
 rate reductions as a whole and to
 evolve a definite policy ^{when required,} rather than
 to go on making piece-meal reductions
^{while} here and there. / It is clear, however,
 that the changes introduced from the

FURTHER ACTION.

~~let~~

Let January have been thought out
with great care and are. In fact, part
of a general revision scheme, ~~and we~~
~~should like to know the General Manager's~~
~~views on the possibility of a complete~~
~~revision of rates in the near future.~~

Yours sincerely,

opinion on the ~~idea~~ whether the
time has ~~not~~ ~~not~~ ~~not~~ ~~not~~
arrived for such a general
revision.

2. As you know the idea was to pick up
a reserve of about a million & then take
slight of the rates, but I am not sure
~~that~~ a reserve of £ 600,000, ^{especially} following
upon recent reductions, would not be regarded
as enough. I think it can, possibly. In any
event it would be silly not to make such
needed concessions when it can be done ^{ably} ~~speed~~ in order
to wait for a comprehensive scheme. Also no doubt
the reductions now made are part of the G.M.'s general
idea.

3. Pim, in conversation, was scornful & said the recent
reductions were all for the white & none for the black. So they are,
but I was able to say that the black man's staff was already low
in the rates table & had been lowered - or some of it - on last year's
reductions. He admitted this was so, but the point will be whether
no reductions on native goods will have to be looked to.

the ~~govt~~ has again
been raised whether
it is wise to
go on making
piecemeal reductions
in rates
in advance of
a general review
of railway policy.

C. O.

Mr.
Mr.
Mr.

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

(297)

3879/16/36

Essex 5/2/37
Parkin 5/2

6.2 of course

Chad sent 2pm
4/2/37

11
D
7

DRAFT.

Hitchcock
Vaughan

No. 1.

John Latham No 1.
Railway
Estimates for 1937

Approved ~~but~~ decision
as further consideration of
to proposed

Further
consideration of surplus
when receipt of year working is known
to proceed. Be faithful
follows

See.

It is not
difficult to
approve the
1936 draft
Estimates
rel. because we
shall have to
write fully about
the Reserve for
W.C.P. 1937

FURTHER ACTION.

Telephone No.: WHITEHALL 1234.

Any reply to this letter should be addressed to—

THE SECRETARY,

TREASURY,

WHITEHALL, LONDON, S.W.1

and the following number—

S.39419/37.

TREASURY CHAMBERS.

5 February, 1937.

Sir,

I have said to the Commissioners of His Majesty's Treasury Mr. Flood's letter of the 7th ultimo, (38179/16/36), forwarding a copy of the Estimates of the Kenya and Uganda Railways and Harbours administration for the year 1937, together with copies of a despatch and of a note from the High Commissioner for Transport, and I now to request you to convey to Mr. Secretary Ormsby Gore the following reply.

2. It is explained that a surplus of £420,000 was expected in 1936 as a result of the year's working and that of this amount it was proposed to place £244,600 to General Reserve Account and to allocate the balance as follows:-

Contribution to Betterment Fund (Railways)	£100,000
Contribution to Betterment Fund (Harbours)	27,608
Reserve for Widows' and Orphans' Pensions Scheme	48,000.

3. The

The Under Secretary of State,
Colonial Office.

DEPARTMENT.

COPY SENT TO ACCO
Sp. to the Under Secy



3. The 1937 Estimates provide for a surplus of £319,169 made up as follows:-

Railways.

Net Revenue Account - Balance to be transferred to Net Revenue Appropriation Account	£ 307,582
--	--------------

Harbours.

Net Revenue Account - Balance to be transferred to Net Revenue Appropriation Account	£ 11,587
	319,169

The estimated surplus has been arrived at after allowing for rates reductions at a cost of approximately £155,000, in addition to a sum of £45,000 in respect of the reduction of the rate for petrol from the 1st August last and taking into account a contribution to the Renewals Fund calculated on a 2½% basis.

4. This

4. This surplus has been provisionally allocated on the following lines:-

Betterment Fund (Railways)	£ 286,582
Betterment Fund (Harbours)	11,587
Pensions Reserve Account	10,000
Depreciation of Investments Reserve Account	5,000
	£ 319,169

5. My Lords concur generally in the Secretary of State's proposal to approve the Estimates on the basis submitted. At the same time they would prefer to postpone a decision as to the actual disposal of the surplus until the final out-turn of the year is known and they must not, at present, be regarded as committed to agree to the allocations as shown in the Estimates.

I am,

Sir,

Your obedient servant,

R. V. Nichol Hughes

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4. This

37

4. This surplus has been provisionally allocated on the following lines:-

Betterment Fund (Railways)	£ 286,582
Betterment Fund (Harbours)	11,587
Pensions Reserve Account	15,000
Depreciation of Investments Reserve Account	5,000
	£ 319,169

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I am,

Sir,

Your obedient Servant,

R. V. Nichol

Ed.

COPY FOR REGISTRATION

Telegram from the High Commissioner for Transport, Kenya and Uganda, to the Secretary of State for the Colonies.

Dated 4th. February, 1937. Received 10.52 a.m. 4th. Feb. 1937.

—oOo—

RECEIVED
4 - FEB 1937
C. O. REGY

No. 1.

2. My despatch of the 12th November No. 65. Anxious for earliest possible approval of 1937 estimates. I propose in the interests of the service to authorize forthwith expenditure covered by abstracts L and M see my telegram No. 4, 20th February, 1936.

(4) on 1935 FILE

Handwritten mark

(incl to/s) a 3211/10/11 - 1000 - 10000
(Reg. a accordance with instructions a (let file) 29
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MEMORANDUM FOR RAILWAY ADVISORY COUNCIL.

E

COTTON SEED INDUSTRY.

The attached notes of meetings held in Nairobi between the representative of the Uganda Cotton Association and the Superintendent of the Line are circulated for the information of Council.

2. So far as the question of the quota for cotton seed during 1937 is concerned, this is referred to in the memorandum on the Capacity of the Railway - Season 1937, shown under Item 12 of the Agenda. If the proposals shown in the notes are accepted by the maize industry, the need for a special meeting to deal with this question may be avoided.

3. With regard to the question of protection of cotton seed at stations and ports while awaiting transport, it is recommended that the following clause should be inserted in the Tariff Book:-

"Protection of Goods at Stations and Ports whilst awaiting transport.

The Administration does not undertake to provide for the protection of goods awaiting transport, but is prepared, upon application, to erect transit sheds for this purpose subject to a charge being levied for the service. Such charges will be agreed with those interested in the provision of transit protection, and will be made as nearly as possible, on the capital and maintenance costs incurred by the Administration. Applications should, in the first place, be addressed to the Superintendent of the Line, P.O. Box 121, Nairobi."

If this is accepted by Council, it is recommended that the Administration should undertake the provision of suitable protection at the following stations at a charge of 25 cents per ton on all cotton seed loaded at these stations:-

Kampala	Kamuli
Nsinze	Namaganda
Katebo	Nagongera
Bukakata	Magodes

Based on provisional estimates of cost of erection of storage, including maintenance and renewals, it is estimated that a charge of this amount will just cover the annual charges.

4. With regard to the request of the industry in para. 3 (ii) that this Administration should undertake the handling of cotton seed passing through the shed at a charge of 25 cents per ton, it is recommended that this responsibility should not be undertaken at the present time. It is undesirable that the Administration should undertake any further responsibility with regard to this commodity than is accepted at the present time, where the loading is the responsibility

(incl to 's) a 387-1/146 - 400 - 2000000 - 1000000

Sign. & accordance with instructions - (Lat file) 29
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of the consignor. Moreover, it is considered that the industry are themselves in a position to do this work more conveniently and more economically than it can be undertaken by the Administration. It would not be possible for the Administration to undertake this work for the price suggested by the Association without incurring a loss. It is recommended, therefore, that the industry itself should continue to handle this commodity at stations and ports as at present.

5. It is considered that the proposal now before Council, together with increased storage at ginneries, which, it is understood, has been provided by the industry, will place the handling of this commodity on a satisfactory basis. The co-operation of the industry in this respect is, therefore, recorded with appreciation.

Ref. No. A.2/55.11.

GENERAL MANAGER'S OFFICE,
NAIROBI.

20th October, 1955.

NOTES OF MEETING HELD IN NAIROBI BETWEEN MR. TILBROOK
OF THE UGANDA COTTON ASSOCIATION AND THE SUPERINTENDENT
OF THE LINE, KENYA AND UGANDA RAILWAYS AND HARBOURS,
ON OCTOBER 14TH & 15TH, 1956.

1. Dates of Opening of Cotton Season.

Mr. Tilbrook stated that he had received information that the following dates had been proposed by the Director of Agriculture for the opening of the cotton buying season :-

- (a) Usuku - November 30th.

The estimate of cotton seed requiring to be moved from Soroti in December is 200 tons.

- (b) Eastern Province generally - January 4th.

- (c) Buganda generally - January 18th.

2. Estimate of tonnage of Cotton Seed to be moved.

Mr. Tilbrook stated that the opinion was now held in Uganda that a total tonnage of 120,000 tons would require transport during the season, and that this tonnage should be transported in the following monthly quantities :-

January	-	11,000	Tons.
February	-	20,000	"
March	-	22,000	"
April	-	22,000	"
May	-	25,000	"
June	-	20,000	"

120,000 Tons.

It was explained to Mr. Tilbrook that the arrangement this year in regard to the movement of controlled traffics was that an estimate would be furnished by the Railway to the Railway Advisory Council, of the total tonnage of such traffic to be moved each month, and the allocation as between the two traffics concerned, i.e. Maize and Cotton Seed, would be undertaken by a Sub Committee of the Railway Advisory Council. Mr. Tilbrook said that he had been instructed by the Uganda Cotton Association to discuss the tonnage allotted to cotton seed, and that although the question was actually to be settled by a Sub Committee of the Railway Advisory Council he would be glad if figures could be tentatively prepared with a view to forming some idea as to what the Industry could anticipate.

On the understanding that the consideration of the question by the Sub Committee of the Railway Advisory Council would not, in any way, be less by any decision that might be prepared, an examination of the possibilities was made, with the following result. It was assumed, in the first place, that cotton seed in any appreciable quantity would not be available for transport before January 11th, i.e. one week after the opening of the cotton buying season in the Eastern Province, and, taking this into consideration, the movement of the two crops might be expected to proceed as follows:-

Period.	Cotton Seed	Maize	Total tonnage of controlled traffics.
	Tons.	Tons.	Tons.
January 1st. - 10th.	Nil	12,700	
" 11th. - 31st.	11,000	14,400	
	11,000	27,100	38,100
February	17,374	8,666	26,000
March	16,334	8,166	24,500
April	15,334	7,666	23,000
May	23,098	8,402	31,500
June	32,000	Nil	32,000
	115,100	60,000	175,100

It was pointed out to Mr. Tilbrook that these figures could only be used as a basis, as there could be no certainty that the very large tonnage of maize booked for January would be shipped, but that, in any case, whatever delay takes place in making a start would only have the effect of deferring the whole movement by approximately the same length of time.

Mr. Tilbrook was also asked whether he could give any reliable forecast of the rate at which the despatch of Cotton Lint would proceed. He stated that it was impossible to give such a forecast, as the movement of Cotton Lint is so bound up with fluctuations in market prices, but he thought it was safe to assume that the variations in tonnages requiring to be moved month by month would follow very closely the experience of previous years. He quite understood that any important variation in this respect would result in similar variations in tonnages of controlled traffic, but it was agreed that in the event of such circumstances necessitating a reduction in the tonnage space allocated to the controlled traffics, such reduction should be applied pro rata to the estimated tonnages of the two commodities.

3. Protection of Cotton Seed at Stations and Ports.

It is emphasised by the Uganda Cotton Association that owing to the extensive areas from which the cotton seed converges to the various loading points, it is impossible to arrange the road transport to ensure that the seed arrives in such a way as to obviate the need for some covered accommodation at the Stations or Ports.

Mr. Tilbrook stated that a copy of the General Manager's letter dated the 21st. September, 1938, and addressed to the Uganda Chamber of Commerce, had been discussed by the Uganda Cotton Association, and the Uganda Cotton Association were prepared to accept, in principle, the payment of a charge for the protection of cotton seed whilst awaiting transport. They are not prepared to agree to pay a fixed charge on all cotton seed, but make the following offer:

- (i) 25 cts. per ton for all cotton seed loaded at Stations or Ports where a special shed for the protection of seed is provided by Railway.
- (ii) 25 cts. per ton additional for all cotton seed actually passed through the shed and loaded by Railway.

Reservations.

- (i) Ginners to retain the option to provide their own labour for stacking in shed and loading in wagon or vessel.
- (ii) That they are only prepared to enter into agreement to pay these charges for a period not exceeding 3 years, after which the question of charges is to be reconsidered.

(a) The Uganda Cotton Association consider that, to start with, accommodation should be provided by the Railway in order of priority, as follows :-

	<u>Area</u> <u>Sq. Feet.</u>	<u>Estimated tonnage</u> <u>capacity.</u>
1. Nsinze	4320	400 Tons.
2. Kamuli	2580	245 "
3. Mamaganda	2580	245 "
4. Nagongera	1200	100 "
5. Magodes	1200	100 "
6. Kampala	6572	650 "
7. Katebe	5952	500 "
8. Bukakata	5952	500 "

This priority of date of completion is in accordance with the date of opening of the cotton buying season.

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(b) The areas of sheds suggested have been calculated on the basis that 50% of the total tonnage of cotton seed at any particular station will require to pass through the sheds in the peak month, for example at Nsinze the peak month in 1936 was June when 2020 tons of cotton seed were despatched. It is assumed that in 1937 this might rise to 2,500 tons, thus requiring storage during the month for 1,250 tons. It was further assumed that the average period of storage would not exceed one week, and on that basis the provision of 400 tons space at Nsinze would give a reasonable margin.

(c) It should be noted that the size of the sheds at Katebo and Bukakata have not been calculated on the basis laid down in Clause (b) but on the maximum tonnage of traffic left behind at each of these ports during the season of 1936.


(d) In the event of the accommodation proving inadequate, it would be expected of the Railway Administration that sufficient tarpaulins and dunnage would be provided to make up the deficiency.

(e) It is definitely understood by the Uganda Cotton Association that the scheme is not intended to replace or reduce any private storage accommodation that the ginners have hitherto provided, but to serve as a temporary protection whilst awaiting loading into waggon or vessel.

4. Conditions at Katebo.

The Uganda Cotton Association emphasise the necessity for improving conditions at Katebo. They ask :-

- (i) That facilities for protection should be provided as set out in paragraph 3.
- (ii) That in view of the lack of telegraphic or telephonic communication with this Port a programme should be laid down for the supply of lighters at regular intervals of, say, 10 days, from the beginning of the season.


For the UGANDA COTTON ASSOCIATION.


SUPERINTENDENT OF THE LINE.

October 16th, 1936.

(Regd. in accordance with instructions that file)

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL.

RATES REDUCTIONS - 1937.

E

In the memorandum No. A.4/700, dated 15th June, 1936, submitted to Council for consideration at the meeting of 1st/2nd July, 1936, it was explained that, after allowing for the rates reductions introduced in December, 1935, it was estimated that the standard Goods Revenue could now safely be increased to £1,900,000, giving an increase per annum of £131,000 over the previous standard Goods Revenue, thereby making available an equivalent sum for rates reductions.

2. A list of recommendations was submitted to Council for consideration and Minute 1043 contains the conclusions of Council at that time.

- (a) The rate on Petrol was, in consequence, reduced from Class 4 to Class 5, with effect from the 1st August, 1936, involving a sum of £47,500 per annum.
- (b) The proposed reductions in rates on Corrugated and Galvanised Iron were not introduced, as it was found that these rates were closely allied to other building rates and that no change at the present time was in fact justified.
- (c) In consequence, the rate on Cement was not altered and Council will see that this item is being dealt with in a separate memorandum, in view of the agreement that has been reached with the cement and cement clinker industries.

3. As Council will see from financial statements presented to them at this meeting, the financial situation has still further improved, and, after the fullest consideration, I am prepared to recommend the following further rates reductions, to be introduced on the 1st January, 1937:-

	<u>Reduction in Revenue based on Standard Revenue.</u>	<u>Actuals</u>
	£	£
(1) Bicycles - Class 2 to Class 3 This item was approved at the last meeting of Council.	4,400	4,700
(11) Abolition of Masindi Port - Butiaba terminals This item was approved at the last meeting of Council.	2,700	3,000

-2-

		<u>Reduction in</u> <u>Revenue based</u> <u>on Standard</u>	
		<u>Revenue</u>	<u>Actuals</u>
		£	£
	Brought Forward	7,100	7,700
(iii)	Sugar e.o.h.p. - Class 6 to Class 7	120	110
(iv)	Sugar - Class 7 (1 ton lots) to Class 9 (10 ton lots)	7,000	10,000
	This item was agreed to at the last meeting of Council.		
(v)	Passenger Fares:-		
	(a) 1st Class less 15%	3,800	4,000
	(b) 2nd Class less 15%	7,600	8,000
	(c) 3rd Class - 4.25 units per mile basis	21,000	22,000
	It also is proposed to increase from 12 to 14 years of age the limit to which half fares apply to children.		
(vi)	Class 1 - Reduction of whole Class to Class 2	46,700	57,445
(vii)	Cotton Lint, Rhino Camp to Masindi Port - Class 6 to Class 8	560	560
	The effect of this rate on the Cotton Industry in the West Nile Province has been represented by the Govern- ment of Uganda. It is considered that the reduction shown above is justifiable.		
TOTALS		£93,880	£109,815

The actual reductions recommended, including Petrol for a year, therefore, total approximately £160,000--

4. If these recommendations are accepted, the estimated revenue, as shown in the printed Draft Estimates now before Council, will have to be reduced by approximately £6,000.

5. In addition to the above items for which definite recommendations are submitted, certain other items have also received consideration.

6. Representations have been received from the Uganda Government with regard to the rate on seed cotton in the West Nile area. The present rate is Class 8, but the Uganda Government consider that this rate should be reduced to Class 10. It has been pointed out to the Uganda Government that the present rate is considered equitable, bearing in mind the fact that this is a bulky product, frequently involving special trips and that the cost of transport, therefore, is well above the average. In these circumstances,

47

unless it can be definitely proved that the present rate is in fact restricting development. And, if it is recommended that there should be no change at the present time.

7. The rate on Fuel Oil has been considered from time to time, but, after hearing the views of members of Council at the last meeting, it is considered that this item can safely remain over for the present.

8. It is believed that the recommendations included in this memorandum mark an important step forward, in that they bring relief to all sections of the community, and, at the same time, assist considerably in meeting the difficulties experienced over road competition. The proposed reductions in passenger fares will be particularly welcome to the travelling public.

9. Reductions in rates of this magnitude are bound to cause some dislocation to trade. It is considered, however, that the benefits received outweigh such dislocation as may be caused and there appears to be no reasonable way in which such difficulties can be avoided.

Ref. No. A.4/700.

GENERAL MANAGER'S OFFICE,
NAIROBI.

10th October, 1936.

RECEIVED
21 DEC 1936
C. O. REGY



AIR MAIL.

748

TRANSPORT.
KENYA-UGANDA.

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

No. 96

9th December, 1936.

Sir,

2

In the fifth paragraph of my despatch Transport No. 85 of the 12th November, I undertook to notify you, in due course, of the rates reductions decided upon in respect of this Administration's services for 1937. The question has been further considered by Railway Advisory Council, and I now enclose, for your information, copies of a notice prepared for local publication containing a summary of the principal reductions which will take effect from the 1st January, 1937.

2. The approximate cost to the Administration of these reductions in 1937 may be estimated at £160,000. To this sum must be added the cost (estimated at roughly £20,000) of the reduction in the rate on petrol, which became effective as from the 1st August, 1936.

3. Copies of the necessary amendments in the Tariff Book will be forwarded to you as soon as they are available.

I have the honour to be,

Sir,

Your most obedient, humble servant,

for HIGH COMMISSIONER.

* An amount of £5000 on the paper steam para 401

THE RIGHT HONOURABLE
W. G. A. OMBEY GORE, M.P.,
SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET.

KENYA AND UGANDA RAILWAYS AND HARBOURS.RATES REDUCTIONS TO TAKE EFFECT FROM JANUARY 1st, 1937.

Notice is hereby given that the following rates alterations will be introduced with effect from January 1st, 1937:-

PASSENGER FARES.

First, second and third class fares will be reduced by approximately 15% in the case of the first and second class, and 30% at the average distance in the case of third class.

Children under 16 years of age (instead of under 12 as at present) will be carried at half fare.

GENERAL MERCHANDISE.

All traffic now rated Class 1 will be divided into two classes to be charged at Class 2 or Class 2 less 10% rates as the case may be. The bulk of the traffic at present carried at Class 1 rates will be reduced to Class 2 less 10%.

All traffic now rated Class 2 will be charged at Class 3 rates.

The rates for the following commodities will be reduced.

Corrugated and Galvanized Iron - Pumps and Pumping Machines - Cement in small lots - Explosives - Asbestos Sheets - Asbestos Packing - Engine Packing - Expanded Metal in bulk - Wheelbarrows in small lots - Baling Hoops and Sticks - Wooden Handles - Bicarbonate of Soda in small lots - Bicycles and Motor Cycles.

Manures - Lime and Limestone - Insecticides - Cattle Dip in bulk - Treebanding Grease - Pyrethrum, local movement and export - Fresh Fruit for export - Rubber for export - Jaggies - Milling-in-transit terminal charges for Coffee - Essential Oils for export in bulk - Goatskins - Cattle Cake - Sugar - Seed Cotton.

The terminal charges raised in connection with the Masindi Port-Butiaba road service will be abolished.

Registered holders of copies of Official Tariff Book No. 15 will be supplied with full details at the earliest possible opportunity. Full particulars will also be obtainable at all stations and district offices in the course of a few days.

At the request of the Tanganyika Government certain of the reduced rates for general merchandise will not apply to traffic to and from Moshi and Tanganyika ports on Lake Victoria.

G. D. RHODES,

GENERAL MANAGER.

Headquarters,
Nairobi,
December 5th, 1936.

C. O.

Mr. Grossmith. 9 12.36.

Mr. ~~Taskin~~ 10/12

Mr. Flood 14
Sir J. Campbell
Sir C. Parkinson.

Sir G. Tomlinson.

*Sir C. Bottomley. 18/12 f

Sir J. Shuckburgh

Permt. U.S. of S.

Pa. U.S. of S.

Secretary of State.

38170/16/36. Kenya.

Downing Street.

December, 1936.

CD
11/12/36
42

Sir,

DRAFT.

THE SECRETARY,
TREASURY.

2 2/11/36 (2)
3/11/36 October (1)
7/11/36 December (3)

FURTHER ACTION.

copy sent to ...
copy (y aac) to ...

I am etc. to refer to the letter from this ^{Office} Department of the 29th of April, and to transmit to you, to be laid before the Lords Commissioners of the Treasury, a copy of the Estimates of the Kenya and Uganda Railways and Harbours administration for the year 1937, together with a copy of a despatch and a ~~third~~ ² personal note from the High Commissioner for Transport.

2. It will be seen from the High Commissioner's despatch that a surplus of ~~no less than~~ £420,000 is anticipated as a result of the workings of the current year, and

that

that of this sum, it is proposed to place £244,600 to General Reserve Account with the result that that account will stand at the beginning of the new financial year at £590,470. The balance has been allocated as follows:-

	£
Contribution to Betterment Fund (Railways)	100,000
Contribution to Betterment Fund (Harbours)	27,808
Reserve for Widows' and Orphans' Pensions Scheme	48,000.

3. It will also be seen that after allowing for rates reductions at a cost of approximately £155,000 in addition to a sum of £45,000 in respect of the reduction of the rate for petrol from the 1st of August last, the Estimates for 1937 provide for a surplus of £319,169, which it is proposed should

mainly be appropriated to Betterment Funds.

4. In accordance with the arrangement approved by their Lordships, vide your letter April of the 18th of January S.39419/36, provision for the contribution to the Renewals Fund has been made on a 2 1/2% basis.

In this connection I am to invite reference to the Memorandum marked 'A' accompanying the H.C.'s Budget Statement 20th and to paragraph 6 of the despatch.
(No. 7 on 1/35)

C. O.

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

DRAFT.

FURTHER ACTION.

5. The High Commissioner for Transport has informed the Secretary of State in a telegram dated the 7th of December, of which a copy is enclosed, that the draft Estimates have been approved by the Legislative Councils of Kenya and Uganda without amendment. Mr. Ormsby Gore is satisfied that the Estimates have been prepared with every reasonable care and he proposes, subject to any observations their Lordships may have to offer, to approve them. He assumes that their Lordships will raise no objection to the appropriation to Betterment Funds of the anticipated

surplus for 1937, as the general Reserve Fund will be in the neighbourhood of £600,000. I am, etc.

Signed J. E. W. FLOOD

As mail 32
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RECEIVED
21 NOV 1936
C. O. REGY



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

TRANSPORT.
KENYA-UGANDA.

No. 85

12th November, 1936.

Sir,

I have the honour to address you on the subject of the Draft Estimates of Revenue and Expenditure for 1937 of the Kenya and Uganda Railways and Harbours. Copies of these Estimates and of various relevant memoranda were forwarded to the Colonial Office by sea mail under cover of a third personal note of the 31st October.

2. As you are aware the Uganda cotton crop of 1936 reached a level not previously recorded, and prices for sisal, maize and other staple products of Kenya have shown a material advance. This improvement in the basic economic conditions of the two territories has naturally been reflected in the volume of remunerative traffic handled by the Railways and Harbours with the result that it is safe to predict a substantial surplus at the close of the present year. Your attention is invited to the enclosed memorandum on the financial position of the Railway at the end of August which indicates that at that time there was a visible surplus on Railway Account of £388,835, and on Harbours Account of £43,031. There is good reason to suppose that the rate of increase is not being maintained during the latter months of the year; it is anticipated, nevertheless, that on the 31st December, 1936, the surplus on the year's workings will exceed £420,000. Of this sum it is proposed to place £244,600 to General/

407 1/2 hrs of 1936

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

By mail

52
2

RECEIVED
21 OCT 1936
C. O. REGY



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

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WPJ 10/11/36

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

to General Reserve Account with the result that that Account will stand, at the opening of the new financial year, at £590,470.

3. The existence of this substantial reserve (equivalent to about 20% of the gross earnings of the Services in 1935) justifies, in my opinion, a relaxation of the strictly conservative financial policy which has governed the estimates of this Administration during recent years, and you will observe that the Budget for 1937 provides for a smaller margin of safety than was considered necessary so long as reserves were either non-existent or inadequate to meet the strain of possible unforeseen setbacks to normal expectations.

4. From the General Manager's memoranda which were forwarded to the Colonial Office with the Draft Estimates you will observe that Railway Council was invited to anticipate a gross Railway revenue of £2,345,565 after allowing for the deduction of £33,400 for relief of passenger rates, £116,680 for goods rates reductions, and £88,872 representing a 4% allowance for contingencies. This estimate was exhaustively discussed by Railway Advisory Council (which includes, as you are aware, the Treasurers of Kenya and Uganda and spokesmen of the more important producing interests); in the light of further data adduced in regard to the 1937 crop prospects in both territories, Council felt justified in recommending that the Railway earnings for next year might, with safety, be estimated at £2,474,565 after allowance had been made for rates reductions at a total cost of approximately £155,000 additional to £45,000 already granted for Petrol from 1st August last. The additional traffic which/

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which is anticipated to justify this increase in working revenue will, it is anticipated, call for a consequential increase in working expenditure, with the result that the General Manager's original estimate for total working expenditure of £1,553,081 has been revised, in the light of Council's recommendations, to £1,583,331. In the light of the fresh data adduced and the full discussion at the meeting of the Railway Advisory Council, the General Manager has accepted the upward revision of his original estimates which is accordingly embodied in the printed estimates of which copies have been sent to you.

5. Final decisions on the allocation, as between different classes of commodities, of the sum of £155,000 set aside for rates reductions have been deferred pending further discussion by Railway Advisory Council at their meeting on November 30th. You will be notified in due course of the resulting changes which it may be decided to adopt.

6. Into the details of these estimates it is unnecessary for me to enter in view of the full explanations afforded by the General Manager's memoranda. You will note that provision has been made for contributions to the Renewals Fund of £379,836 calculated on a 2% basis in respect of Railway wasting assets in pursuance of the instructions contained in Mr. J. H. Thomas's despatch Transport No.30 of the 27th April. Sums totalling £6,600 have been placed to the Widows' and Orphans' Pension Scheme Reserve; the creation of such a Reserve has been discussed with you in separate correspondence. After providing for £5,000 as a Reserve for Depreciation of Investments and £16,000 as a Pensions Reserve Account it is/

38179/16/35

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The £6,600 + £16,000 have been provided for in the net revenue on page 9 of the Estimates.

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9 on 38179/16/35

4/2 provided for in the next despatch M.C.

The £6,600 + £5,000 has been provided for in the next despatch on 9/10/35

It is proposed to transfer the remaining estimated surplus on the 1937 account to Betterment Funds which, as you are aware, stood on the 1st January, 1936, at the wholly inadequate figure of £82,199. Provision is made in Abstract L of the Estimates for expenditure on works already sanctioned and new works on the Railway during 1937 to a total cost of £754,390 drawn variously from Revenue, Betterment and Renewals Fund, unspent Loan balances and Capital Account; of this sum nearly £134,000 will be spent on Permanent Way, and nearly £260,000 on Rolling Stock. In Abstract M provision has been made for the comparatively limited requirements for the Harbours in respect of New Works to the extent of £33,956.

7. The Estimates have been referred to the Joint High Commissioner in Uganda who has notified me that he has no objection to their approval. They are being laid before the Legislative Councils of Kenya and Uganda, at present in session, and you will be notified by telegram as soon as the Councils' approval has been obtained. I trust that your sanction may be communicated to me at the earliest possible date after the receipt of this telegram.

8. I venture to draw your attention to the fact that in recent years your predecessors' approval of the annual estimates of this Administration has been communicated to me some time after the opening of the year to which they relate. In 1933 and 1934 the Secretary of State's approval was not received until the middle of February, in 1935 at the end of January, and this year late in April. Although, under the powers conferred upon me by the Orders-in-Council, I am able to authorise the withdrawal from the Railways and Harbours fund of such/

such monies as are necessary for the services pending receipt of the Secretary of State's approval of the Estimates, you will no doubt share my view that the provision of this power was intended only to cover emergencies, and that normally expenditure for the services should be authorised from the beginning of the year for estimates which have received your sanction.

9. I take this opportunity to enclose a copy of the Supplementary Estimates for 1935 and the First Supplementary Estimates for 1936. The table on the top of page 4 of the latter document shows the distribution of the surplus on the revised Combined Net Revenue Account for 1936. Both these Supplementary Estimates have received the approval of the Legislative Council of Kenya, and are being submitted to the Legislative Council of Uganda at the end of the present month. You will be advised by telegram when the approval of the Uganda Legislature has been given, and I shall be obliged if I may receive your sanction as soon as may be thereafter.

I have the honour to be,

Sir,

Your most obedient, humble Servant,

L. B. Hewitt

for HIGH COMMISSIONER.

Draft approved by High Commissioner

FINANCIAL RESULTS OF WORKING, JANUARY AUGUST, 1936.

The financial results of working the Services for the first eight months of 1936, based on the audited figures for January - July and the approximate figures for August were:-

	£	
Railway Revenue	1,783,773	
Railway Ordinary Working Expenditure	<u>757,024</u>	
	Balance	1,026,749
Contributions to Renewals Fund		<u>883,245</u>
	Balance	803,504
	£	
Loan Fund Charges	418,813	
Write-off of Dead Assets	16,243	
Rebate on Maize	<u>16,991</u>	
	452,047	
<u>LESS:</u>		
Miscellaneous Receipts (Net Revenue Account)	<u>37,378</u>	<u>414,669</u>
	Balance (Surplus)	388,835
	Harbours (Surplus)	<u>43,031</u>
<u>Total Surplus - January-August, 1936</u>		<u>£431,866</u>

as compared with a surplus of £333,296 for the corresponding period of 1935; (Railway Surplus - £316,848 and Harbours Surplus - £16,448).

2. The Railway Revenue was £373,106 in excess of eight months proportion of the annual estimate and £142,428 in excess of the corresponding earnings for 1935. Based on an average for the last five years, the actual Railway earnings were £289,199 in excess of the expected earnings for the first eight months of this year.

3. Ordinary Working Expenditure was £29,840 in excess of the estimate for eight months and £39,243 in excess of the expenditure for the corresponding period of 1935.

4. The ratio of Ordinary Working Expenditure to Earnings was 42.44 per cent, as compared with the ratio of 51.55 per cent represented by the approved estimates for 1936 and 43.73 per cent for the corresponding period of 1935.

Ref. No. E.F. 128/36

GENERAL MANAGER'S OFFICE,
NAIROBI.

11th October, 1936.



Kenya and Uganda Railways and Harbours

SUPPLEMENTARY ESTIMATES, 1935

Memorandum by the General Manager

SUPPLEMENTARY ESTIMATES, 1935

Supplementary Estimates of Expenditure for the year 1935 have been rendered necessary for the following reasons:

I. RAILWAYS.

1.—WORKING EXPENDITURE.

The Total Ordinary Working Expenditure Estimate of £1,067,430 was exceeded by an amount of £20,754, made up as follows:—

	£
Abstract "B"—Locomotive Running Expenses	10,280
Abstract "C"—Maintenance of Engines and Rolling Stock	2,726
Abstract "D"—Traffic Expenses	6,914
Abstract "E"—General Charges	1,519
Abstract "F"—Steamer Services	2,071
Abstract "G"—Motor Services	353
Abstract "H"—Miscellaneous Expenditure	1,424
	25,287
Less: A saving under Abstract "A"—Engineering Expenses— of	4,533
Total	£20,754

The reasons for the excess are as follows:

Abstracts "B", "C", "D" and "F":

The excesses under these heads are almost entirely due to the large increase of traffic actually conveyed compared with the traffic anticipated at the time estimates were framed.

Abstract "E":

Issues of Furniture were heavier than was anticipated.

Abstract "G":

Certain necessary minor works, which could not be foreseen, had to be carried out in connection with the Administration's Road Services.

Abstract "H":

Payments of gratuities to staff were higher than was anticipated, whilst an additional bonus to contributors to the Provident Fund became due under the Regulations. This additional bonus could not be foreseen, being dependent on the total net earnings of the Services for the year 1935.

2.—REVENUE.

	£
The total earnings amounted to	2,384,923
as compared with the estimate of	2,087,000
an increase of	297,923

3.—NET REVENUE ACCOUNT.

	£
The balance transferred from the Revenue Account amounted to	960,672
as compared with an estimated balance of	683,503
or an increase of	277,169

This increase was due to increased earnings in respect of:—

	£
Goods	294,756
Passengers	3,833
Live Stock	2,857
Telegraphs	120
	301,566
Less Decreases in Parcels, Luggage and Miscellaneous Earnings	3,643
	297,923
Less The increase in Ordinary Working Expenditure of	20,754
	£277,169

Expenditure in connection with Net Revenue Account charges exceeded the estimate by £76,263 for the following reasons—

(a) *Loan Charges*—

The excess of £5,365 was mainly due to the introduction of a new basis for Branch Line Accounts resulting in the actual re-imbursment from the Kenya Government in respect of losses on guaranteed Branch Lines being £8,087 less than was estimated.

(b) *Write-off of Dead Assets*—

Provision for £1,000 only was made in Estimates for this purpose whereas it became essential to withdraw obsolete and irreparably damaged assets resulting in an excess under this head of £49,323

The principal items concerned in the write-off from Capital Account were:—

	£
Mbulamiti Station: Quarters and Track, etc., consequent upon re-siting of Station	2,568
Port Bell Pier	9,865
Mjanji Pier	1,212
S.S. Clement Hill	5,785
Rolling Stock	22,379
Oil Tanks, Kilindini	1,351
Old Headquarters Offices, Nairobi	1,889
Marine Plant	1,779
Machinery	2,114

(c) *Write-down of Stores Stocks*—

Provision was exceeded by £6,692 as the result of a decision to write off a quantity of obsolete stores which were surveyed during the year.

(d) *Demolition of Assets—Transfer of Assets*—

No provision was made in the 1965 Estimates for charges under these heads.

Expenditure amounting to £1,760 was incurred in connection with the demolition and transfer of Assets.

(e) *Depreciation of Investments*—

It was necessary to adjust the value of the Administration's Investments to the middle market price on 31st December, 1935. This adjustment resulted in an excess in Net Revenue Account of £9,231 no provision having been made for this charge.

(f) *Rebate on Maize*—

No provision was made in the Estimates for the Rebate on Maize traffic which the Administration granted with effect from the 1st December, 1935. The amount involved was £1,385 in respect of the rebate granted during December, 1935.

(g) *Adjustment of Harbours Municipal Rates*—

As a result of a revised demarcation between Railway and Harbour areas at Mombasa, an adjustment in respect of Municipal Rates, which had been met from Harbour funds, was necessary, as no provision had been made for the adjustment. An excess of £2,488 over the estimate was incurred.

Total .. £76,263

(h) *Receipts on Net Revenue Account*

Receipts on Net Revenue Account exceeded the estimate by £98,878 due mainly to the interest earned on increased Cash Balances and to the inclusion of accumulated interest on Stamp Duty Reserve Fund.

(i) *Balance carried to Combined Net Revenue Account*—

The balance carried to the Combined Net Revenue Account (Railways and Harbours) amounted to £947,161, an excess of £229,594 over the estimated figure.

II.—HARBOURS.

1.—WORKING EXPENDITURE.

The Total Ordinary Working Expenditure exceeded the estimate by £17,541 due to increased payments to the Cargo Handling Contractors in respect of tonnage in excess of that anticipated at the time the original estimates were compiled.

2.—REVENUE.

Revenue exceeded the estimate by £83,986

3.—HARBOURS NET REVENUE ACCOUNT.

The balance transferred from Revenue Account was £222,952 an increase over the estimate of £66,145

(a) *Loan Interest and Redemption Charges*—

were £301 less than estimated.

(b) Depreciation of Investments—

An amount of £224 was charged to Net Revenue Account resulting in an excess under this head, no provision having been made in the Estimates to meet this charge.

(c) Receipts on Net Revenue Account—

Receipts exceeded the Estimate by £6,805 due to Interest on the Stamp Duty Reserve Fund, and to the adjustment in respect of Municipal Rates, referred to in sub-paragraph (g) of paragraph 3 of this memorandum.

(d) Balance carried to Combined Net Revenue Account—

The Balance carried to the Combined Net Revenue Account (Railways and Harbours) represented a surplus of £15,611 compared with the estimated deficit of £57,416, or an improvement over the estimate of £73,027.

£15,611

III. COMBINED NET REVENUE ACCOUNT (RAILWAYS AND HARBOURS).

The balances transferred to the Combined Net Revenue Account were—

	£
Railways	347,161
Harbours	15,611
Total	£362,772

as compared with the estimated net surplus of ... £60,151

The surplus of £362,772 has been transferred as follows:—

	£
Reserve for Depreciation of Investments	5,000
Contribution to Betterment Funds (Railways)	20,000
Contribution to Betterment Funds (Marine)	3,000
Contribution to Betterment Funds (Harbours)	15,611
General Reserve	319,161
Total	£362,772

Abstract "L"—Expenditure on New Works—Railways, Roads and Lake Marine Services—

Under item 4 (Workshops Machinery and Equipment) the actual expenditure exceeded the provision made by £249 and under item 7 (Rolling Stock) an excess of £2,835 was incurred. The total expenditure under this Abstract was £32,762 less than the provision made in the Estimates.

Certain re-allocations so far as the funds against which the actual expenditure was chargeable were necessary.

Abstract "M"—Expenditure on New Works—Harbours—

The actual expenditure under this Abstract was £1,171 less than the provision made in the Estimates, but re-allocations in the expenditure chargeable against the various funds were necessary.

IV.—REVISED ESTIMATES.

Revised Estimates for the year 1935 are appended hereto.

Nairobi,
12th August, 1936.

G. D. RHODES,
General Manager.

Kenya and Uganda Railways and Harbours
RAILWAYS—WORKING RESULTS—REVENUE ACCOUNT, 1935

EXPENDITURE	Actual			Estimated			EARNINGS			
	Estimated	Increase	Decrease	Estimated	Actual	Increase	Decrease	Actual	Increase	Decrease
A. Engineering Expenses	193,504	£ 188,971	4,533	193,504	188,971	4,533	193,504	188,971	4,533	
B. Locomotive Running Expenses	227,876	238,156	10,280	227,876	238,156	10,280	227,876	238,156	10,280	
C. Maintenance of Engines and Rolling Stock	191,349	194,075	2,726	191,349	194,075	2,726	191,349	194,075	2,726	
D. Traffic Expenses	223,403	230,317	6,914	223,403	230,317	6,914	223,403	230,317	6,914	
E. General Charges	98,302	99,831	1,519	98,302	99,831	1,519	98,302	99,831	1,519	
F. Steamer Services	62,925	64,896	2,071	62,925	64,896	2,071	62,925	64,896	2,071	
G. Motor Services	11,131	11,484	353	11,131	11,484	353	11,131	11,484	353	
H. Miscellaneous Expenditure	59,040	60,464	1,424	59,040	60,464	1,424	59,040	60,464	1,424	
Total Ordinary Working Expenditure	1,067,430	1,088,184	20,754	1,067,430	1,088,184	20,754	1,067,430	1,088,184	20,754	
J. Depreciation	336,067	336,067		336,067	336,067		336,067	336,067		
Total Expenditure	1,403,497	1,424,251	20,754	1,403,497	1,424,251	20,754	1,403,497	1,424,251	20,754	
Balance Net Earnings	883,503	960,672	277,169	883,503	960,672	277,169	883,503	960,672	277,169	
TOTAL	£ 2,087,000	2,384,923	297,923	£ 2,087,000	2,384,923	297,923	£ 2,087,000	2,384,923	297,923	

RAILWAYS—NET REVENUE ACCOUNT, 1935

EXPENDITURE	Actual			Estimated			EARNINGS			
	Estimated	Increase	Decrease	Estimated	Actual	Increase	Decrease	Actual	Increase	Decrease
To Interest Charges	525,981	530,243	4,262	525,981	530,243	4,262	525,981	530,243	4,262	
" Loan Redemption Charges	100,955	102,058	1,103	100,955	102,058	1,103	100,955	102,058	1,103	
" Write-off of Dead Assets	1,000	50,323	49,323	1,000	50,323	49,323	1,000	50,323	49,323	
" Account of Stores Stocks on hand										
" Account of Obsolescence and Depreciation	1,000	7,692	6,692	1,000	7,692	6,692	1,000	7,692	6,692	
" Transfer of Assets		663	663		663	663		663	663	
" Depreciation of Investments		1,106	1,106		1,106	1,106		1,106	1,106	
" Rebate on Maize		9,231	9,231		9,231	9,231		9,231	9,231	
" Adjustment of Harbours Municipal Rates, 1929-1934		1,385	1,385		1,385	1,385		1,385	1,385	
" Balance Carried to Combined Net Revenue Account (Railways and Harbours)	117,667	347,161	229,494	117,667	347,161	229,494	117,667	347,161	229,494	
TOTAL	£ 746,503	1,052,350	305,847	£ 746,503	1,052,350	305,847	£ 746,503	1,052,350	305,847	

By Net Earnings from Revenue Account

Interest on Cash Balances, Investments and Advances

Levy on Salaries and Wages

Retrieved Material

Surplus on Land Account (Uganda)

Interest on Stamp Duty Reserve Fund (Accumulated)

Kenya and Uganda Railways and Harbours

HARBOURS WORKING RESULTS—REVENUE ACCOUNT, 1935

Expenditure	Estimated			Actual			Increase			Decrease		
	£	£	£	£	£	£	£	£	£	£	£	
A. Engineering Expenses	18,379	18,433	154	18,433	18,433	0						
B. Marine Working	20,938	20,981	43	20,981	20,981	0						
C. Maintenance of Mechanical Plant	8,763	8,048	715	8,048	8,048	0						
D. Shore Working and Lighterage	18,037	17,996	41	17,996	17,996	0						
E. General Charges	15,187	14,946	241	14,946	14,946	0						
F. Miscellaneous Expenditure	7,708	6,975	733	6,975	6,975	0						
G. Payments to Shore Handling and Lighterage Contractors	48,893	68,270	19,377	68,270	68,270	0						
Total Ordinary Working Expenditure	137,805	155,646	17,841	155,646	155,646	0						
J. Depreciation	30,324	30,324	0	30,324	30,324	0						
Total Expenditure	168,129	185,970	17,841	185,970	185,970	0						
Balance Net Earnings	156,507	222,952	66,145	222,952	222,952	0						
TOTAL	£ 324,936	£ 408,922	£ 83,986	£ 408,922	£ 408,922	£ 83,986						

HARBOURS—NET REVENUE ACCOUNT, 1935

	Estimated		Actual		Increase		Decrease	
	£	£	£	£	£	£	£	£
To Interest Charges	180,714	180,417	297	180,417	297			
" Loan Redemption Charges	35,009	35,005	4	35,005	4			
" Depreciation of Investments (Stamp Duty Reserve Fund)	..	..	224	..	224			
" Balance Carried to Combined Net Revenue Account (Railways and Harbours)	..	..	15,611	..	15,611			
TOTAL	£ 215,723	£ 231,257	£ 15,534	£ 231,257	£ 15,534			
By Net Earnings from Revenue Accounts	156,307	222,952	66,145	222,952	66,145			
" Less: Salaries and Wages	1,500	858	642	858	642			
" Retirees' Gratuity	..	85	85	85	0			
" Reserve for Contingencies	..	4,874	4,874	4,874	0			
" Fund (accumulated)	..	2,488	2,488	2,488	0			
" Adjustments of Harbours Municipal Rates, 1929-1934	..	..	..	..	..
" Balance Carried to Combined Net Revenue Account (Railways and Harbours)	..	..	57,416	..	57,416			
TOTAL	£ 215,723	£ 231,257	£ 15,534	£ 231,257	£ 15,534			

Kenya and Uganda Railways and Harbours

COMBINED NET REVENUE ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1935

	Estimated		Actual		Increase		Decrease	
	£	£	£	£	£	£	£	£
To Balance from Net Revenue Account (Harbours)	57,416	57,416	0	57,416	0			
" Reserve for Depreciation of Investments	..	..	5,000	..	5,000			
" Contribution to Betterment Fund Railways	..	..	20,000	..	20,000			
" Contribution to Betterment Fund Marine	..	..	3,000	..	3,000			
" Contribution to Betterment Fund Harbours	..	..	15,611	..	15,611			
" Balance (Surplus) transferred to General Reserve Account	60,151	316,161	256,010	316,161	256,010			
TOTAL	£ 117,567	£ 362,772	£ 245,205	£ 362,772	£ 245,205			
By Balance from Net Revenue Account (Railways)	117,567	347,161	229,594	347,161	229,594			
" Balance from Net Revenue Account (Harbours)	..	..	15,611	..	15,611			

Kenya and Uganda Railways and Harbours

ABSTRACT L.—ESTIMATE OF EXPENDITURE ON WORKS IN PROGRESS (RAILWAYS, ROADS AND LAKE MARINE SERVICES)

PARTICULARS	NET EXPENDITURE—1933										FURTHER SANCTION REQUIRED					
	PRINTED ESTIMATE—1933		NET EXPENDITURE—1933		NET EXPENDITURE—1933		NET EXPENDITURE—1933		NET EXPENDITURE—1933		NET EXPENDITURE—1933		FURTHER SANCTION REQUIRED		FURTHER SANCTION REQUIRED	
	Loan Funds	Capital Account	Betterment Funds	Renewals/Revenue Funds Account	Net Revenue Account	Loan Funds	Capital Account	Betterment Funds	Renewals/Revenue Funds Account	Net Revenue Account	Loan Funds	Capital Account	Betterment Funds	Renewals/Revenue Funds Account	Net Revenue Account	Net Revenue Account
1. Permanent Way	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
2. Station Buildings, Machinery and Equipment	..	2,300	103,947	..	2,521	1,790	83,675	..	2,521	4,090	2,521	4,090	12,272	..	..	..
3. Staff Quarters	..	9,250	6,233	..	4,397	1,432	2,465	231	4,397	7,818	4,397	7,818	3,768	231	488	488
4. Workshop Machinery and Equipment	..	6,955	26,083	..	13,862	1,439	16,708	237	13,862	5,516	13,862	5,516	10,375	237	618	618
5. Inland Jetties and Piers	..	3,193	2,080	..	4,784	..	338	..	4,784	3,193	4,784	3,193	1,342	..	..	..
6. Telegraphs	..	1,297	1,143	..	9,403	..	6,440	160	9,403	5,457	9,403	5,457	17,530	160	..	..
7. Rolling Stock	..	281	708	..	12	556	3,316	..	12	..	12	305	2,618	..	..	..
8. Road Motor Equipment	..	1,777	3,600	..	28	1,842	..	..	28	..	28	135	3,000	..	..	..
9. Lake Marine Services	..	6,084	2,749	..	1,937	3,516	1,109	..	1,937	1,549	1,937	1,549	1,640	..	..	..
10. Sundry Renewals and Betterment	..	575	1,790	..	319	1,143	685	..	318	1,143	318	575	1,104	..	..	..
TOTAL	£	30,363	160,973	..	42,218	38,087	6,795	114,242	693	1,106	2,149	38,087	23,868	46,631	693	1,106

Kenya and Uganda Railways and Harbours

ABSTRACT M.—ESTIMATE OF EXPENDITURE ON WORKS IN PROGRESS, HARBOURS

PARTICULARS	NET EXPENDITURE—1933						FURTHER SANCTION REQUIRED									
	PRINTED ESTIMATE—1933		NET EXPENDITURE—1933		NET EXPENDITURE—1933		NET EXPENDITURE—1933		NET EXPENDITURE—1933		NET EXPENDITURE—1933		FURTHER SANCTION REQUIRED		FURTHER SANCTION REQUIRED	
	Loan Funds	Capital Account	Betterment Funds	Renewals Funds	Loan Funds	Capital Account	Betterment Funds	Renewals Funds	Loan Funds	Capital Account	Betterment Funds	Renewals Funds	Loan Funds	Capital Account	Betterment Funds	Renewals Funds
1. Permanent Way	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
2. Piers and Wharves	3,098	7	..	..	..	3,098	7	..	..	..	..	..	..
3. Marine Craft	..	2,300	1,510	820	299	2,573	..	..	299	1,873	..	..	..	..	..	..
4. Plant	700	2,694	..	..	..	299	..	..	..	..	..	..	..
5. Navigational Lighting	..	336	..	..	8,065	..	..	..	294	Decrease 28	..	..	..	..	..	..
6. Improvements to Buildings etc.	..	3,135	..	..	..	..	..	..	4,930	..	..	..	..	..	..	..
7. Sundry Renewals and Betterments	1,100	1,500	..	..	..	Cr. 6,286	..	..	..	..	..	..	..
TOTAL	£	5,435	1,510	5,718	12,716	2,189	..	..	7,281	1,845	..	..	..	1,510	..	8,787



Kenya and Uganda Railways and Harbours

**FIRST SUPPLEMENTARY
ESTIMATES, 1936**

Memorandum by the General Manager

FIRST SUPPLEMENTARY ESTIMATES, 1936.

Supplementary Estimates of Expenditure for the year 1936 have been rendered necessary for the following reasons:—

I.—RAILWAYS.

1.—WORKING EXPENDITURE.

It is anticipated the Total Ordinary Working Expenditure Original Estimate of £1,090,776 will be exceeded by an amount of £61,720, made up as follows:—

	£
Abstract "B"—Locomotive Running Expenses	31,237
Abstract "C"—Maintenance of Engines and Rolling Stock	10,891
Abstract "D"—Traffic Expenses	7,800
Abstract "E"—General Charges	1,884
Abstract "F"—Steamer Services	3,405
Abstract "G"—Motor Services	603
Abstract "H"—Miscellaneous Expenditure	5,750
Total	£61,720

The reasons for the excess are as follows:—

Abstracts "B", "C", "D", "F" and "G":

The excesses under these heads are almost entirely due to the large increase in traffic actually conveyed compared with the traffic anticipated at the time the original estimates were framed.

Abstract "E":

This is due to the increased cost of the East African Pavilion at the Johannesburg Exhibition and to other publicity expenditure.

Abstract "H":

The bonus to Provident Fund contributors was fixed, in the early part of the year at 100 per cent of contributions, whereas previously the bonus, subject to a minimum of 75 per cent, was dependent on the total net earnings of the Services. This involves an excess of £7,000 over the original estimate. This excess is off-set to the extent of £1,250 by savings under other sub-heads of this Abstract.

2.—DEPRECIATION.

An amount of £25,940 is now provided in respect of the resumption of contributions to the Renewals Fund on the replacement cost of Marine Wasting Assets. This follows the review carried out by the 1935 Renewals Funds Departmental Committee. No provision for this contribution was made in the original estimates for 1936.

The difference between £25,940 and the excess of £16,290 over the original estimate is due to revised contributions in respect of "Railways" and "Motor" Assets as recommended by the Departmental Committee.

3.—REVENUE.

The total earnings are now estimated at	£2,500,000
as compared with the original estimate of	£2,115,000
An increase of	£385,000

4.—NET REVENUE ACCOUNT.

The balance to be transferred from Revenue Account is estimated at ... £1,046,303
 as compared with the original estimate of ... 690,313
 Or an increase of ... 355,990

This anticipated improvement in the amount to be transferred from Revenue Account is due to increased revenue from :—

	£
Passengers	2,000
Parcels and Luggage	1,000
Goods	482,000
Telegraphs	100
Miscellaneous	900
	<u>£496,000</u>

Less—

Reduced revenue from Live Stock ... 2,000

£494,000

Less—

The increase in Ordinary Working Expenditure and Depreciation charges ... 78,010

£355,990

Expenditure in connection with Net Revenue Account charges is expected to exceed the estimate by ... £99,953

for the following reasons :—

(a) Write-off of Dead Assets :

Provision for £1,000 only was made in the original estimates for this purpose, whereas it has been necessary to withdraw obsolete assets to an extent which results in the estimate being exceeded by ... £67,228

The principal items included in these transactions are :

Rolling Stock (balance in respect of E.B. Locomotives withdrawn in 1935) ...	£59,794
Staff quarters ...	£5,940
Plant ...	£1,949

(b) Write-down of Stores Stock :

It is anticipated the original provision will be exceeded by £5,300. This follows the policy of the Administration to write down the values of obsolete, etc., stocks.

(c) Demolition of Assets :

No provision was made in the original estimates for charges under this head and, as the demolition of certain assets was necessary, an excess of ... £718 has been incurred.

(d) Reserve for Depreciation of Securities :

Provision for £5,000 was made in the original estimates, but in view of increased investments it is considered prudent to appropriate a sum of £10,000 to reserve for this purpose, thereby resulting in an excess of ... £5,000

(e) Rebate on Maize ... £17,725

The decision to grant a temporary rebate on export maize was not made until after the original estimates were framed.

(f) Receipts on Net Revenue Account :

Receipts on Net Revenue Account are expected to exceed the original estimate by ... £22,537
 due to the additional interest earned on the Administration's cash balances and increased investments, and to amounts realized on material retrieved from assets demolished during the year.

(g) The balance carried to the Combined Net Revenue Account (Railways and Harbours) is expected to amount to £392,600, an increase of £285,574 over the estimate.

II.—HARBOURS.

1.—WORKING EXPENDITURE.

The total Ordinary Working Expenditure is now expected to exceed the original estimate by ... £31,211
 due mainly to payments to the Cargo Handling Contractors, and the necessity of providing additional staff, power, etc., to deal with the increase in tonnage over that anticipated at the time the original estimates were framed.

2.—DEPRECIATION.

Owing to a re-assessment of the liability on account of depreciation, the contribution to the Renewals Fund reflects a decrease of ... £4,907

3.—REVENUE.

It is anticipated that Revenue will exceed the original estimate by ... £126,274

4.—HARBOURS NET REVENUE ACCOUNT.

The balance to be transferred from Revenue Account is now estimated at ... £246,341

An increase of ... £99,970 over the original estimate.

(a) Charges to Net Revenue Account :

These exceed the original provision by ... £3,984

due to a reallocation of Loan Charges to the extent of £370 and to charges in respect of the write-off of—

- (i) the Likoni and Mtongwe Ferries, transferred to Government ... £1,842
- (ii) demolition of old jetties and buildings ... £1,722

(b) Balance carried to Combined Net Revenue Account :

The balance carried to the Combined Net Revenue Account (Railways and Harbours) represents a surplus of ... £27,608

as compared with a deficit of ... £68,914

An improvement of ... £96,522 over the original sanctioned Estimates.

III.—COMBINED NET REVENUE ACCOUNT.

(RAILWAYS AND HARBOURS.)

The balances now estimated to be carried to the Combined Net Revenue Account are :—

Railways	£392,600
Harbours	£27,608
Total	<u>£420,208</u>

As compared with the original estimate of ... £38,112

4 — NET REVENUE ACCOUNT.

The balance to be transferred from Revenue Account is estimated at ... £1,046,903
 as compared with the original estimate of ... 690,313
 Or an increase of ... 355,990

This anticipated improvement in the amount to be transferred from Revenue Account is due to increased revenue from :—

	£
Passengers	2,000
Parcels and Luggage	1,000
Goods	432,000
Telegraphs	100
Miscellaneous	900
	<u>£436,000</u>
Less—	
Reduced revenue from Live Stock	2,000
	<u>£434,000</u>
Less—	
The increase in Ordinary Working Expenditure and Depreciation charges	78,010
	<u>£355,990</u>
Expenditure in connection with Net Revenue Account charges is expected to exceed the estimate by	£92,988

for the following reasons :—

(a) Write-off of Dead Assets :

Provision for £1,000 only was made in the original estimates for this purpose, whereas it has been necessary to withdraw obsolete assets to an extent which results in the estimate being exceeded by ... £37,228

The principal items included in these transactions are :—

Rolling Stock (balance in respect of E.B.)	
Locomotives withdrawn in 1935	£58,734
Staff quarters	£5,840
Plant	£1,949

(b) Write-down of Stores Stock :

It is anticipated the original provision will be exceeded by ... £5,900
 This follows the policy of the Administration to write down the values of obsolete, etc., stocks.

(c) Demolition of Assets :

No provision was made in the original estimates for charges under this head and, as the demolition of certain assets was necessary, an excess of ... £718 has been incurred.

(d) Reserve for Depreciation of Securities :

Provision for £5,000 was made in the original estimates, but in view of increased investments it is considered prudent to appropriate a sum of £10,000 to reserve for this purpose, thereby resulting in an excess of ... £5,000

(e) Rebate on Maize

The decision to grant a temporary rebate on export maize was not made until after the original estimates were framed. ... £17,725

(f) Receipts on Net Revenue Account :

Receipts on Net Revenue Account are expected to exceed the original estimate by ... £22,537
 due to the additional interest earned on the Administration's cash balances and increased investments, and to amounts realized on material retrieved from assets demolished during the year.

(g) The balance carried to the Combined Net Revenue Account (Railways and Harbours) is expected to amount to £392,600, an increase of £285,574 over the estimate.

II.—HARBOURS.

1.—WORKING EXPENDITURE.

The total Ordinary Working Expenditure is now expected to exceed the original estimate by ... £31,211
 due mainly to payments to the Cargo Handling Contractors, and the necessity of providing additional staff, power, etc., to deal with the increase in tonnage over that anticipated at the time the original estimates were framed.

2.—DEPRECIATION.

Owing to a re-assessment of the liability on account of depreciation the contribution to the Renewals Fund reflects a decrease of ... £4,907

3.—REVENUE

It is anticipated that Revenue will exceed the original estimate by ... £126,274

4.—HARBOURS NET REVENUE ACCOUNT.

The balance to be transferred from Revenue Account is now estimated at ... £246,341
 An increase of ... £99,970 over the original estimate.

(a) Charges to Net Revenue Account :

These exceed the original provision by ... £3,934
 owing to a reallocation of Loan Charges to the extent of £870 and to charges in respect of the write-off of—
 (i) the Likoni and Mtongwe Ferries, transferred to Government ... £1,342
 (ii) demolition of old jetties and buildings ... £1,722

(b) Balance carried to Combined Net Revenue Account :

The balance carried to the Combined Net Revenue Account (Railways and Harbours) represents a surplus of ... £27,608
 as compared with a deficit of ... £68,914
 An improvement of ... £96,522 over the original sanctioned Estimates.

III.—COMBINED NET REVENUE ACCOUNT.

(RAILWAYS AND HARBOURS.)

The balances now estimated to be carried to the Combined Net Revenue Account are :—

Railways	£392,600
Harbours	£27,608
	<u>Total ... £420,208</u>

As compared with the original estimate of ... £38,112

The revised surplus of £420,208 has been allocated as follows:—

Contribution to Betterment Funds (Railways)	£100,000
Contribution to Betterment Funds (Harbours)	£27,608
Reserve for Widows' and Orphans' Pension Scheme ...	£48,000
General Reserve Account	£244,600
Total ...	£420,208

IV.—ABSTRACT "L".

EXPENDITURE ON NEW WORKS AND RENEWALS—RAILWAYS,
ROAD AND LAKE MARINE SERVICES.

Owing to the impossibility of completing the programme originally provided for, the expenditure under this Abstract is now estimated to amount to £208,236 only during 1936, as compared with the original provision of £436,957.

Consequent upon the necessity for carrying out a number of works for which provision was not made, expenditure under sub-heads (6) Telegraphs, (8) Road Motor Equipment, and (10) Sundry Renewals and Betterments, is expected to exceed the original estimates.

V.—ABSTRACT "M".

EXPENDITURE ON NEW WORKS AND RENEWALS—HARBOURS.

Provision is made for the proposed purchase by the Administration of the Kagadi Soda Company's property at Shimanzi, but certain expenditure on other works for which provision was made, will not be incurred this year.

The resultant net excess over the original estimate is therefore now anticipated to be £27,483.

VI.—REVISED ESTIMATES,

Revised Estimates for 1936 are appended hereto.

Nairobi,

15th October, 1936.

G. D. RHODES,
General Manager.

Kenya and Uganda Railways and Harbours

RAILWAYS—REVENUE ACCOUNT, 1936

EXPENDITURE	Sanctioned Estimate, 1936	Revised Estimate, 1936		EARNINGS	Sanctioned Estimate, 1936	Revised Estimate, 1936	
		£	Decrease			£	Increase	£	Decrease
A. Engineering Expenses	202,863	202,863		Passengers	168,000	168,000	
B. Locomotive Running Expenses	234,579	256,818	31,237	Parcels and Luggage	36,000	37,000	2,000
C. Maintenance of Engines and Rolling Stock	191,274	203,165	10,891	Live Stock	22,000	20,000	1,000
D. Traffic Expenses	231,085	238,865	7,780	Goods	1,850,000	2,282,000	432,000
E. General Charges	106,182	107,996	1,814	Telegraphs	1,200	1,300	100
F. Steamer Services	82,758	66,163	3,406	Miscellaneous	48,800	49,700	900
G. Motor Services	11,516	12,319	803				
H. Miscellaneous Expenditure	80,549	66,319	5,750				
Total Ordinary Working Expenditure	1,090,778	1,153,496	61,720				
J. Depreciation	334,911	351,201	16,290				
Total Expenditure	1,425,687	1,504,697	78,010				
Balance Net Earnings carried to							
Net Revenue Account	690,313	1,046,303	355,990				
TOTAL	£ 2,116,090	2,550,990	434,000	TOTAL	£ 2,116,090	2,550,000	434,000

RAILWAYS—NET REVENUE ACCOUNT, 1936

EXPENDITURE	Sanctioned Estimate, 1936	Revised Estimate, 1936		EARNINGS	Sanctioned Estimate, 1936	Revised Estimate, 1936	
		£	Decrease			£	Increase	£	Decrease
Loan Interest Charges	525,981	525,900	39	Net Earnings from Revenue Account	690,313	1,046,303	355,990
Loan Redemption Charges	102,426	102,288	38	Interest on Cash Balances, Investments and Advances	57,900	70,000	13,000
Write-off of Dead Assets	1,000	68,228	67,228	Realised and Realised Material	1,200	9,500	9,500
Write-down of Stores Stocks on account of Obsolescence and Depreciation	1,000	6,300	5,300	Surplus on Land Account (Uganda)	48,800	37	37
Demolition of Assets	5,000	718	718				
Transfer of Assets	5,000	1,981	3,019				
Reserve for Depreciation of Securities	5,000	10,000	5,000				
Rebate on Maize		17,725	17,725				
Balance Carried to Combined Net Revenue Account (Railways and Harbours)	107,028	392,400	285,574				
TOTAL	£ 747,313	1,125,840	378,527	TOTAL	£ 747,313	1,125,840	378,527

Kenya and Uganda Railways and Harbours

HARBOURS—REVENUE ACCOUNT, 1936

Expenditure	Sanctioned Estimate 1936	Revised Estimate 1936	Increase	Decrease	Earnings	Sanctioned Estimate 1936	Revised Estimate 1936	Increase	Decrease
A. Engineering Expenses ..	£ 20,219	£ 20,219			Imports INCLUDING COAL AND BULK OILS—	£	£		
B. Marine Working ..	20,975	20,975			Handling ..	37,000	52,863	15,863	
C. Maintenance of Mechanical Plant ..	7,981	7,981			Wharfage ..	34,470	66,029	11,559	
D. Shore Working and Lighterage ..	19,592	22,927	3,035		EXPORTS EXCLUDING FUELS AND BULK OILS—				
E. General Charges ..	15,809	17,040	1,231		Handling and Wharfage ..	120,000	179,967	59,967	
F. Miscellaneous Expenditure ..	8,933	7,724	801		IMPORT WHARFAGE ON COAL BULK OILS	3,500	4,000	500	
Departmental Expenditures ..	91,499	96,566	5,067		EXPORT WHARFAGE ON BITUMENS AND BULK OILS	12,700	15,153	2,453	
G. Payments to Shore Handling and Lighterage Contractors ..	53,927	79,971	26,144		BULK OILS	1,250	1,019		231
Total Ordinary Working Expenditure ..	145,236	176,637	31,211		MARINE CHARGES, ETC.	57,000	75,324	18,324	
J. Depreciation ..	30,223	25,316	4,907		MISCELLANEOUS	38,000	53,839	17,839	
Total	175,549	201,853	26,304		TOTAL	321,920	449,194	126,274	
Balance Net Earnings carried to Net Revenue Account ..	146,371	248,841	99,970						
TOTAL ..£	321,920	448,194	126,274						

HARBOURS—NET REVENUE ACCOUNT, 1936

	Sanctioned Estimate 1936	Revised Estimate 1936	Increase	Decrease
Loan Interest Charges ..	£ 180,376	£ 181,086	£ 710	
Loan Redemption Charges ..	35,000	35,069	69	
Write-off of Dead Assets ..		3,064	3,064	
Balance Carried to Combined Net Revenue Account (Railways and Harbours) ..		27,908	27,908	
TOTAL ..£	215,385	246,927	31,542	
Net Earnings from Revenue Account Realised and Retrieved Material ..	£ 146,371	£ 246,341	£ 99,970	
Interest on Stamp Duty Reserve Fund ..		478	478	
Balance transferred to Combined Net Revenue Account ..	68,914			68,914
TOTAL ..£	215,285	246,827	31,542	

Kenya and Uganda Railways and Harbours
RAILWAYS AND HARBOURS COMBINED NET REVENUE ACCOUNT

	Sanctioned Estimate 1936	Revised Estimate 1936	Increase	Decrease
To Balance from Net Revenue Account (Harbours) ..	£ 68,914	£ 68,914		
Contribution to Betterment Funds Railways ..		100,000	100,000	
Contribution to Betterment Funds Harbours ..		27,908	27,908	
Reserve for Widows' and Orphans' Pension Schemes ..		48,000	48,000	
Amount transferred to General Reserve Account ..	38,111	244,800	206,689	
TOTAL ..£	107,026	429,208	313,182	
By Balance from Net Revenue Account (Railways) ..	£ 107,026	£ 92,600		£ 14,426
Balance from Net Revenue Account (Harbours) ..		27,908	27,908	
TOTAL ..£	107,026	429,208	313,182	

Kenya and Uganda Railways and Harbours

ABSTRACT L. ESTIMATE OF EXPENDITURE ON WORKS IN PROGRESS AND PROPOSED (RAILWAYS, ROADS AND LAKE MARINE SERVICES)

HEAD OF EXPENDITURE	SANCTIONED ESTIMATE, 1936							REVISED ESTIMATE, 1936										FURTHER SECTION REQUIRED						
	Loan Funds	Capital Account	Betterment Funds	Renewals Funds	Revenue Account	Total	Expenditure During Subsequent Years	Loan Funds	Capital Account	Betterment Funds	Renewals Funds	Revenue Account	Total	Expenditure During Subsequent Years	Loan Funds	Capital Account	Betterment Funds	Renewals Funds	Revenue Account	Total	Expenditure During Subsequent Years	Decrease		
																						£	£	£
1. Permanent Way	2,195	4,300	8,000	125,740		140,235	795	7,278	7,770	65,851	33,150	14,391	12,838	16,223	14,391	12,838	16,223	14,391	12,838	16,223	16,223	16,223	16,223	16,223
2. Station Buildings, Mails and Equipment	31,927	750	7,673	1,422	50	43,772	4,794	5,172	9,966	1,590	1,953	13,021	32,922	16,777	13,021	32,922	16,777	13,021	32,922	16,777	16,777	16,777	16,777	16,777
3. Staff Quarters	30,271	15,249			420	61,723	11,791	9,655	21,446	8,138	29,584	28,092	29,621	15,451	28,092	29,621	15,451	28,092	29,621	15,451	15,451	15,451	15,451	15,451
4. Workshop, Machinery and Equipment	19,075	3,864		6,592	52	29,583	6,816	1,659	8,475	9,079	300	8,434	30,000	300	8,434	30,000	300	8,434	30,000	300	300	300	300	300
5. Island Lighthouses and Piers		10,050		5,000		15,050																		
6. Telegraphs	1,350			900		2,250																		
7. Rolling Stock	17,614	7,153		76,772		101,978	439	101,978	79,130			2,523												
8. Road Motor Equipment		3,168		3,290		6,386						8,888												
9. Lake Marine Services		36,869	456	14,300		51,625						15,941	7,315	8,626										
10. Sundry Renewals and Betterments		900		3,180		4,080						4,830	4,401	9,231	4,403	187	363	16,755	1,450	1,530	7,501			
TOTAL	£ 105,432	82,321	11,129	252,639	522	4,914	456,957	79,130	31,508	54,963	9,733	109,059	1,133	2,608	208,232	617,580	33,924	6,218	1,567	143,580	699	2,306	248,225	138,454

Subject to re-apportionment in accordance with regulations governing allocations of actual expenditure between Capital Account and Renewals and Betterment Accounts.

ABSTRACT M.—ESTIMATE OF EXPENDITURE ON WORKS IN PROGRESS AND PROPOSED HARBOURS

HEAD OF EXPENDITURE	SANCTIONED ESTIMATE, 1936							REVISED ESTIMATE, 1936										FURTHER SECTION REQUIRED						
	Loan Funds	Capital Account	Betterment Funds	Renewals Funds	Revenue Account	Total	Expenditure During Subsequent Years	Loan Funds	Capital Account	Betterment Funds	Renewals Funds	Revenue Account	Total	Expenditure During Subsequent Years	Loan Funds	Capital Account	Betterment Funds	Renewals Funds	Revenue Account	Total	Expenditure During Subsequent Years	Decrease		
																						£	£	£
1. Permanent Way				1,880		1,880					1,620		1,620	550										
2. Piers, Wharves and Harbours Improvements	2,120	1,550				3,670			110	1,690	520	300	2,620	500										
3. Marine Craft						15,700							15,700											
4. Plant	15,700								1,171				1,171											
5. Navigational Lighting						1,310			410	600			1,010	400										
6. Improvements to Buildings, etc.	410	900										297	46,901	2,964	45,774									
7. Sundry Renewals and Betterments	830			2,500		3,330		46,604																
TOTAL	£ 19,060	2,450		4,380		25,890		48,208	738	1,690	2,140	597	53,373	14,414	29,148	1,712	1,690	2,240	597	27,183	11,414			

Subject to re-apportionment in accordance with regulations governing the allocations of actual expenditure as between Capital Account and Renewals and Betterment Accounts.

329,189	323,411	1,850	25,940	25,940
5,722	1,850	25,940	25,940	25,940
30,223	35,316	376,317	11,383	
865,134	376,317	11,383		
TOTAL	865,134	376,317	11,383	

ABSTRACT L. — ESTIMATE

Sanctioned Estimate 1936

CONTRIBUTION TO BETTERMENT FUND

Railways
Marine
Harbours

TOTAL



RECEIVED
23 NOV 1936
C. O. REGY

70

T/Est/A.12.

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

The Secretary to the High Commissioner for Transport; Kenya-Uganda, presents his compliments to the Under Secretary of State for the Colonies, and has the honour to transmit, under separate cover, twelve copies of the draft Estimates of the Revenue and Expenditure of the Kenya and Uganda Railways and Harbours, including Main and Branch Lines, Lake Marine Services, Motor Services, and Coast Port Services, for the year 1937.

2. Two copies are also transmitted of the General Manager's Memoranda which he placed before the Railway Advisory Council to assist them in their consideration of the draft Estimates, and copies of the General Manager's memorandum to the Harbour Advisory Board, together with a report by a sub-committee of the Harbour Advisory Board which had been appointed by the Board to consider in detail the Harbour Estimates, both of which were considered by the Harbour Advisory Board in their review of the draft Harbour Estimates.

3. The High Commissioner's comments will follow by an early air mail.

Added to T/Est/A.12

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL.

DRAFT ESTIMATES OF REVENUE AND EXPENDITURE - 1937.

Draft Estimates of Revenue and Expenditure for 1937 are circulated herewith for the consideration of Council.

REVENUE ESTIMATE:

2. The following comparative figures are tabulated to facilitate consideration of next year's estimated Revenue:-

	<u>1935</u>	<u>1936</u>		<u>1937</u>
	<u>Actuals</u>	<u>Printed Estimate</u>	<u>Revised Estimate</u>	<u>Estimate</u>
	£	£	£	£
Passengers	159,833	158,000	158,000	130,200
Parcels and Luggage	34,315	36,000	36,000	37,000
Livestock	20,857	22,000	18,500	18,500
Goods	2,122,556	1,850,000	2,259,700	2,105,000
Telegraphs	1,320	1,200	1,300	1,365
Miscellaneous	46,042	48,800	51,500	53,500
TOTALS	£2,384,923	£2,116,000	£2,525,000	£2,345,565

3. The detailed explanations are:-

PASSENGER REVENUE - £130,200.

In arriving at the figure of £130,200, allowance has been made for the application from the 1st January next of the proposed:

- | | |
|--|--------|
| | £ |
| (a) Reduced basis for 3rd class fares set out in memorandum A.4/700 of 15th June, 1936, which was deferred for final consideration, the adoption of which represents | 21,000 |
| (b) 15% reduction in 1st and 2nd class single fares, dealt with in the same memorandum, involving | 11,400 |
| and (c) allowing for an all round increase of 5% in Passenger Traffic. | |

4. PARCELS AND LUGGAGE - £37,000.

Increased passenger traffic should result in slightly increased earnings from Luggage.

5. LIVESTOCK - £18,500.

The estimate has been fixed at the probable 1936 revenue from this source.

6. GOODS - £2,105,000.

This figure represents:-

	£
Revised 1936 Estimate	2,259,700
<u>plus</u>	
(a) August Rates Reductions (mainly Petrol)	22,435
(b) Additional 25,000 bales Cotton	18,180
(c) Additional 9,000 tons Cotton Seed	<u>10,237</u>
	<u>28,417</u>
	£2,310,552
Less proposed Goods Rates Reductions	116,680 (in- cludes reduc- tion on Petrol for full year)
	<u>22,193,872</u>
Less approximately 4% to allow for contingencies	<u>88,872</u>
Final Goods Revenue Estimate	£2,105,000

The estimated Goods Revenue assumes no falling off of imports, but, at the same time, it makes no allowance for additional imports from the estimated increased Cotton exports. It is £205,000 in excess of the increased standard revenue adopted for the purpose of assessing the sum available for permanent rates reductions which have been taken into account in framing the figure.

7. TELEGRAPHS - £1,365.

This allows for a 5% increase.

8. MISCELLANEOUS - £53,500.

The earnings grouped under this heading comprise:-

1. Sale of Platform Licences.
2. Rents of Buildings.
3. Private Work in Shops.
4. Ground Rents.
5. Advertising Receipts.
6. Sundries.
7. Sale of Water.
8. Catering and Bedding Receipts.
9. Widows and Orphans Pension Scheme.

The principal item is Catering and Bedding Receipts. Revenue from this source is governed by the passenger traffic and an allowance of 5% (approximately £1,000) has been made for additional Catering and Bedding revenue, a similar sum being added to cover additional revenue from all other sources included in the item.

9. ESTIMATES OF RAILWAY EXPENDITURE:

The estimated Expenditure, so far as it is affected by traffic movements, is based upon the following estimated ton miles and train and engine miles, the corresponding figures employed for the 1936 Estimates being given for comparative purposes:

	1937 Estimate	1936 Estimate	Increase
<u>Freight Ton Miles</u>	460,000,000	316,700,000	143,300,000
<u>Train Miles:</u>			
Public	2,572,200	1,997,000	575,200
Departmental	555,000	550,000	5,000
	3,127,200	2,447,000	680,200
<u>Miscellaneous (Assisting, Light and Shunting)</u>	655,000	615,000	40,000
<u>Total Engine Mileage</u>	3,782,200	3,062,000	720,200

10. ABSTRACT "A" - ENGINEERING EXPENSES.

	£
1937 Estimate	215,764
1936 Estimate	202,853
Increase	£12,911

The main increases under this Abstract are:-

	£
Maintenance of Permanent Way	423
Maintenance of Buildings & Works	4,944
Miscellaneous Services	3,587

£8,954

The balance of the increased expenditure of £4,435 (which is partially offset by savings totalling £478) is represented by additional staff costs:-

	£
Normal increments and minor promotions	1,973
Additional Staff (mainly track and works)	1,116
Relieving, Acting and Leave Allowances	956
Adjustments owing to changes in Staff at the Port	<u>390</u>
	<u>£4,435</u>

11. Generally, it may be stated that all arrears in the maintenance of the track have now been overtaken and that the permanent way is now being kept at a standard slightly better than that regarded previously as normal.

12. So far as buildings and works are concerned, there will, after 1937, still remain a limited amount of arrears to be overtaken. These concern staff quarters and it is estimated that they can be taken in hand in 1938 at a cost of roughly £2,000, when the position in this respect also will be entirely satisfactory.

13. The increase of £3,587 under miscellaneous services is due partly to the provision of an extra £1,368 for bush clearing and other health measures. This is both necessary and desirable.

14. Also it is necessary to replace certain Tools and Plant (not covered by the Renewals Fund) and to secure additional equipment. This accounts for the additional £951 included in item (b) of this Head.

15. The extra £120 for Conservancy and £1,130 for Water are mainly due to heavier commitments to Local Authorities. It is hoped, by the installation of water-borne systems at certain points, to reduce the former item in future years.

16. ABSTRACT "B" - LOCO RUNNING EXPENSES.

	£
1937 Estimate	265,714
1936 Estimate	<u>224,579</u>

Increase £41,135

The expenditure under this Abstract is governed to a large extent by the traffic to be moved, and it is in the expenditure controlled by such movements that the bulk of the additional provision asked for figures, viz:

	£
Fuelling, etc. - Engines	1,766
Running Allowances	6,791
Fuel	30,880
Water	<u>674</u>

£40,111

17. This Abstract provides, under Superintendence, for a contribution of £1,115 towards the cost of the supervisory staff shown under Abstract "C" I (a); hitherto the total salary of such officers has been charged to Workshops expenditure.

This adjustment is a proper one.

16. ABSTRACT "C" - MAINTENANCE OF ENGINES AND ROLLING STOCK:

	£
1937 Estimate	210,756
1936 Estimate	<u>191,274</u>
Increase	<u>£19,482</u>

Allowing for the contribution towards the cost of Supervisory Staff from Abstract "B" of £1,115, the increase is actually £20,597.

This increase is mainly on account of:-

	£
Maintenance of Engines	16,253
" " Coaching Stock	476
" " Goods Stock	1,636
" " Machinery, etc.	<u>2,765</u>
	<u>£21,130</u>

19. MAINTENANCE OF ENGINES:

In the provision of £34,560 provided under (a) Shop Repairs - must be included £2,100 of the £3,552 provided in item 5 under the head of Superintendence, making the total estimated cost of Shop Repairs on Locomotives £36,660.

20. The provision in the 1936 Estimates allowed for Shop Repairs to 66 units at an average cost of £450 per unit. The 1937 provision is to enable 78 units to be put through the Shops at an average cost of £470.

21. The increase in the number of units is due to the additional mileage being run. As regards the average cost, the increase is due to the fact that it has been found during the current year that the Garrett locomotives are becoming more expensive to repair with increasing age. This tendency was anticipated and was referred to in para. 104 of the Annual Report for 1935

22. MAINTENANCE OF GOODS STOCK:

The increase in this case is in Running Repairs, for which an additional £2,935 is provided, permitting -

Savings under Shop Repairs amounting to	<u>1,299</u>
	1,636
which are further offset by the transfer to Superintendence of	<u>691</u>
Making the actual increase in the estimate	<u>£945</u>

The increase in Running Repairs is due to the additional mileage owing to the increased traffic and to a growing tendency for the cost of materials to increase.

23. MAINTENANCE OF WORKSHOPS MACHINERY:

The increase of £2,765 is accounted for by the considerable increase in the work of all descriptions.

24. ABSTRACT "D" - TRAFFIC EXPENSES:

	£
1937 Estimate	255,440
1936 Estimate	<u>231,065</u>

Increase £24,375

* Both the estimated ton miles, with an increase of 143,300,000 over the 1936 Estimate, equal to roughly 45%, and the Train Miles, with an increase of 680,200 miles, equal to nearly 28%, largely influence this expenditure.

25. Of the additional amount Council is asked to recommend, traffic requirements in the form of:

(a) Loading and unloading trucks	8,300
(b) Additional Temporary Staff	4,464
(c) Overtime and Trip Allowances	2,900
(d) Additional Tarpaulins	2,968
(e) Cleaning of Carriages and Wagons	<u>540</u>

account for £19,172

26. (a) The bulk of the expenditure under this head occurs in the loading and unloading at Kilindini, the contract payment for which is 90 cents per ton. This contract expires at the end of June, 1937, but, although a lower tonnage cost may subsequently be expected, this has not been anticipated in these Estimates and the increase corresponds with the increased tonnage expected to be handled.

27. (b) The increased Staff, consisting of Assistant Station Masters, Signallers, Clerks, Guards and a Yard Foreman, will be necessary to cope with the traffic visualised.

28. (c) Overtime and Trip Allowances are governed by traffic requirements and this item cannot be avoided.

29. (d) The provision for additional tarpaulins is to cover both replacement of worn out sheets and additional tarpaulins for the extra traffic.

30. (e) This increase also is entirely due to the extra traffic.

31. In addition to the increase of £19,172 explained above, the estimate also includes £4,614 for normal increments and a number of minor promotions.

32. CATERING:

Of the increase on this account of £1,094, Stores, etc., represent £760 and Equipment £214, the major portion of which, if realised, will be compensated by increased earnings.

33. TOTAL TRAFFIC EXPENSES:

The increase of £24,375 represents slightly less than 11% as compared with a considerably greater increase in the work which the Traffic Department will be expected to perform.

34. ABSTRACT "E" - GENERAL EXPENSES:

	£
1937 Estimate	97,950
1936 Estimate	<u>106,162</u>
Decrease	<u>£8,212</u>

To obtain a proper comparison of these General Charges, it is necessary to allow for -

- | | |
|---|----------------|
| | £ |
| (a) The extra provision made in 1936 Estimates for the Empire Exhibition of | 4,440 |
| and | |
| (b) The transfer of the provision for Medical Services to Abstract "H" of | <u>7,000</u> |
| | <u>£11,440</u> |

There is, therefore, a real increase in General Charges of £3,228, which is found under

	£
(a) Administration	48
(b) Management	140
(c) Accounts	1668
(d) Stores	452
(e) Watch and Ward	516
(f) Publicity	<u>524</u>
	3348
Less decrease in contribution to Colonial Audit Department	<u>120</u>
	<u>£3228</u>

35. In the case of Management expenses, the real increase is £490, as the provision for local publicity advertising has been transferred to the general Publicity vote - E.IX (c). The explanation of this increase is the provision required for passages and normal increments.

36. ACCOUNTS:

£744 of the increase is represented by the provision for the replacement of certain existing Hollerith machines by improved machines of greater capacity, already approved by Council, which, when in full operation will ultimately lead to economy. Normal increments and other necessary additional staff provisions account for the balance of the extra expenditure.

-8-

37. STORES.

Normal increments account almost entirely for the additional Stores expenditure.

38. WATCH AND WARD:

Railway Police includes provision of additional men to ensure the safe custody of the large sums carried on the Pay Trains, while the growth of activities in all departments has involved the employment of extra Watchmen.

39. PUBLICITY:

As explained in para. 35, the provision for local publicity advertising has been transferred to this head and the vote increased to £500.

Consideration has been given to the question of making the best possible use, on the close of the Empire Exhibition, of all the publicity material, etc., sent to Johannesburg for that purpose. It is thought this object can best be secured by establishing a permanent Tourist Travel Exhibition in the Railway Section of the London Office.

The accommodation at present available is not sufficient, but, for an additional rental of £90 per annum it is possible to secure an additional room of approximately 42' x 14', in which could be displayed the photographic enlargements and the illuminated photographs now in South Africa. This room also could be used for the display of films, the equipment for which will also become available, and, for a comparatively small expenditure, a Relief Map of East Africa of a suitable size (the one sent to the Empire Exhibition is too large) also could be exhibited there. At a later stage, this publicity venture can be added to and improved at little expense.

The London Representative is strongly in favour of the proposal. It is also supported by the General Manager of the Tanganyika Railways who hopes some time next year to be in a position to increase his Administration's contribution to the London Office.

No actual provision for the extra rental and incidental expenditure has been included under the Publicity vote, but, if Council favours the proposal, it is suggested a sum of £250 be added, to cover rental and transfer and other expenses of which about £100 per annum would be recurrent.

40. ABSTRACT "F" - STEAMER SERVICES:

£

1937 Estimate	69,049
1936 Estimate	62,758

Increase £6,291

Apart from an additional £1,503 required for normal increments, additional staff, passages, etc., the extra vote asked for is due to increased requirements on account of additional traffic and steamer mileage, for Fuel, Stores,

Maintenance and Catering, amounting to £4,633 which is reduced by £370 on account of the lesser sum required for the maintenance of channels. In addition, a sum of £525 is included for renewal of keel blocks on the Dry Dock at Butiaba and renewal of the awning on s.s. "Nyanza". It will be observed that under "Running Expenses", provision is made for three additional Wireless Operators following the expansion of such installations already reported to Council. The installations will be completed and installed early in 1937.

41. ABSTRACT "G" - MOTOR SERVICES:

1937 Estimates	11,824
1936 Estimates	11,516

Increase £308

Apart from £35 on account of Staff, the whole of the increase is for additional running costs and other requirements due to increased traffic anticipated.

42. ABSTRACT "H" - MISCELLANEOUS EXPENDITURE:

1937 Estimate	74,633
1936 Estimate	60,569

Increase £14,064

As already explained under Abstract "E", Medical Services have been transferred to this vote (£27,000). In the provision for Provident Fund (increase £6,500) is included the Administration's 100% bonus liability to contributors, as compared with only 75% in the 1936 Estimates. This follows from the decision on Railway Council's Minute No. 999 of the 12th/13th February, 1936.

43. TOTAL ORDINARY WORKING EXPENDITURE:

The Total Ordinary Working Expenditure of £1,201,130 which represents an increase over the corresponding 1936 Estimate of 110,354

is equal to 51.20 per cent of the estimated Revenue, as compared with 51.55 per cent in the case of the 1936 Estimates.

If, however, allowance is made for the sum of £116,680 allowed for Rates Reductions, the 1937 estimated figure of Ordinary Working Expenditure would be equal to 48.78 per cent of the Revenue.

44. DEPRECIATION.

The contributions to the Renewals Funds of £351,951 reflects an increase of £17,040 which is mainly due to the resumption of contributions on account of Marine Wasting Assets.

45. TOTAL WORKING EXPENDITURE:

The Total Working Expenditure of £1,553,081 is an increase over the 1936 Estimate of 127,394

The total expenditure is equal to 66.21 per cent of the Revenue Estimate, after allowing for the Rates Reductions already referred to.

46. Apart from a few minor promotions and an adjustment in the grading of the Workshops Superintendent, reported to Council in memorandum No. SPG. 14/10 of the 13th June, 1936, these Estimates made no provision for any general strengthening or improvement in the grading of the supervisory or other staff.

47. The business of the Administration, as measured by the Estimates of Revenue and Expenditure for the forthcoming year, in respect of Goods Traffic alone, is expected to reach the record figure of 460,000,000 ton miles - an increase of roughly 20% over the ton miles for the year 1929, which, prior to the general slump, was the best year in the history of these Railways.

48. These estimated 460,000,000 ton miles are expected to cost the public (as represented by the Goods Earnings) 9.152 cents per ton mile, as compared with 10.548 cents per tonmile in 1929.

49. Notwithstanding the large increase in the business of the Railways since 1929, the Revenue estimate shows a fall, largely due to rates reductions, of approximately £100,000. On the other hand, the total Ordinary Working Expenditure is less by roughly £240,000.

50. It has been made clear, in meetings between the Management and Heads of Departments, that some strengthening of the supervisory staff and some improvement in the grading of officers upon whom devolves additional responsibility, directly or indirectly, for maintaining the efficient and economic conduct of these Services, must be faced in the immediate future.

51. A general re-organisation is not anticipated, but it will be the duty of the Management, when the Estimates for 1938 are prepared, to make such provision therein for additions and adjustments as may be necessary to ensure the adequate maintenance of the service to the public.

52. The problem will be studied in detail during the coming year and the result of the enquiry will be submitted to Council in due course.

53. NETT REVENUE ACCOUNT:

	£
The balance carried to the	
Nett Revenue of	792,484
represents an increase over	
the 1936 forecast of	102,171

54.	This increase is accounted for by:-	
	Estimated increase in Earnings	£ 229,565
	<u>LESS</u> Increased Working Expenditure	<u>127,394</u>
		£102,171

55. The following compares the estimated Nett Revenue Accounts for 1937 and 1936:-

	<u>1937</u>	<u>1936</u>		<u>1937</u>	<u>1936</u>
	£	£		£	£
Interest Charges	526,981	525,861	Balance from Revenue Account	792,484	690,313
Loan Redemption Charges	102,171	102,426			
Write-off of Dead Assets	5,000	1,000	Interest on Cash Balances and Advances	75,000	57,000
Write Down of Stores Stocks	2,000	1,000	Released and retrieved material	1,000	-
Demolition and transfer of Assets	4,000	5,000			
Reserve for Depreciation of Securities	-	5,000			
Balance transferred to Combined Nett Revenue Appropriation Account	<u>228,332</u>	<u>107,026</u>			
	<u>£868,484</u>	<u>£747,313</u>		<u>£868,484</u>	<u>£747,313</u>

56. Provision for Depreciation of Securities which in the 1936 Estimates figured in the Railway Nett Revenue Account has been transferred to the Combined Nett Revenue Appropriation Account for 1937.

57. The estimated increase in interest on Cash balances and advances is due to the total of such balances being greater and to a slightly higher yield being anticipated,

58. COMBINED NETT REVENUE APPROPRIATION ACCOUNT:

	£
Estimated Railway Surplus	228,332
Estimated Harbour Surplus	<u>12,103</u>
	<u>£240,435</u>

	£
Carried Forward	240,435
Less provision for:	
Depreciation of Securities	5,000
Balance (surplus) to be transferred to the Betterment Fund and Reserve Accounts	235,435
as compared with the 1936 estimated surplus of	38,112
	<hr/>
	Increase £197,323
Due to:	
Increase in Railway surplus of	121,306
Harbour Surplus of £12,103	
Instead of Deficit of	81,017
	<hr/>
	202,323
<u>LESS</u>	
Provision for Depreciation of Securities provided in 1937 but provided in 1936 Estimates in Railway Revenue Account	5,000
	<hr/>
	£197,323

59. PROPOSED EXPENDITURE ON RENEWALS BETTERMENT AND CAPITAL ACCOUNTS:

The proposed expenditure, covered by Abstract "L" will be submitted in a separate memorandum, together with a complete Programme of Works, which will be forwarded shortly.

60. APPROXIMATE POSITION OF RENEWALS BETTERMENT AND LOAN FUNDS:

The approximate position is given in Appendix I, which will be forwarded separately.

Ref. No. E.F.

GENERAL MANAGER'S OFFICE,
NAIROBI.

10th October, 1936.

15

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL.

DRAFT ESTIMATES OF REVENUE AND EXPENDITURE - 1937.

Supplementary Memorandum.

*Printed
date.* Abstract "L", referred to in paragraph 59 of the memorandum of the 10th October, is attached.

2. The complete Programme of New Works will be circulated before Council assemblies.

3. Council will be asked to recommend this Abstract for approval, on the usual understanding that, before any work exceeding £750 in cost is authorised, the full case for expenditure will be submitted to it for specific recommendation.

REVISED COMBINED NET REVENUE APPROPRIATION ACCOUNT:

4. The need to complete Appendix I makes necessary a provisional allocation of the estimated surplus for 1937. The recommendations of the Administration are as follows:-

	£
(a) Betterment Fund, Railways	187,832
(b) Betterment Fund, Harbours	21,503
(c) Pensions Reserve Account	18,000

5. (a) and (b) Betterment Fund:

The necessity for building up the Betterment Fund has been stressed by members of Council from time to time and also emphasised in the memorandum considered by Council at the meeting in May last. This is covered by Minute 1015, which it may be of assistance to quote:-

"The General Manager explained that this memorandum No. E.F. 615 had been circulated at the request of the Chief Accountant to draw attention to the position of Capital credits and loans and to emphasise the need for building up the Betterment Fund which largely controls the Renewals Programme. As an example of demands made at short notice on Loan Funds, he stated that a proposal was shortly to be considered by the Harbour Advisory Board for purchasing the Magadi Soda Company's property at the Port, which might involve Railway Loan funds being re-allocated to a Harbour sub-head."

"Council noted the information circulated to them and agreed with the views expressed in the covering memorandum by the General Manager."

The provisional allocation agreed to now will, of course, be subject to confirmation when the final results of the year's working are known.

6. (c) Pensions Reserve Account:

Liability on account of pensions is provided for in Abstract "H" (Page 56 of the Draft Estimates), Item V - £17,900.

Appendix IV contains the details and shows that provision is made to the extent of approximately £14,000 in respect of pensions to retired Railway officers from Railway funds, the balance of the expenditure on that account being a debit to Kenya funds to the extent of £14,058 and to Uganda funds to the extent of £673.

The current average liability of the Administration on this account is assessed at £30,000, and, following the general policy of charging revenue with its full liability each year, it is considered prudent to appropriate the balance of £16,000 from the Combined Net Revenue Account as an initial contribution towards a pensions reserve account and to appropriate similar balances in future years. This Reserve Account will function as a pensions equalisation account and thus equate the actual debit to Revenue Account in respect of pensions.

7. REVISED NET REVENUE ACCOUNT:

(a) Write-off of Dead Assets - increased from £5,000 to £17,500.

(b) Widows and Orphans Pensions Scheme Reserve - £6,000.

(a) The completion of the proposed New Works Programme for 1937 has shown that the provision on account of the Write-off of Dead Assets will be inadequate and should be increased to £17,500.

(b) Contributions from members of this Administration to the Widows' and Orphans' Pensions Scheme are credited under present practice to revenue and such pensions are charged to Ordinary Working Expenditure. This procedure is in accordance with the Secretary of State's intimations.

The existing liability on account of such pensions is small, but must increase, and it is considered some provision should be made towards meeting this accruing liability.

The matter has been referred to the Secretary of State with a suggestion that the excess of current contributions over current annual payments should be transferred to a special Reserve Account.

The Secretary of State has intimated his acquiescence in the proposal, pending a decision in regard to the general question of funding the Widows' and Orphans' Pensions Scheme.

Consequently, the item of £6,000 has been included in the revised Net Revenue Account.

Ref. No. E.F. 1/37.

GENERAL MANAGER'S OFFICE,
NAIROBI.

14th October, 1936.

Appendix IV contains the details and shows that provision is made to the extent of approximately £14,000 in respect of pensions to retired Railway officers from Railway funds, the balance of the expenditure on that account being a debit to Kenya funds to the extent of £14,058 and to Uganda funds to the extent of £673.

The current average liability of the Administration on this account is assessed at £30,000, and, following the general policy of charging revenue with its full liability each year, it is considered prudent to appropriate the balance of £16,000 from the Combined Net Revenue Account as an initial contribution towards a pensions reserve account and to appropriate similar balances in future years. This Reserve Account will function as a pensions equalisation account and thus equate the annual debit to Revenue Account in respect of pensions.

7. REVISED NET REVENUE ACCOUNT:

(a) Write-off of Dead Assets - increased from £5,000 to £17,500.

(b) Widows and Orphans Pensions Scheme Reserve - £6,000.

(a) The completion of the proposed New Works Programme for 1937 has shown that the provision on account of the Write-off of Dead Assets will be inadequate and should be increased to £17,500.

(b) Contributions from members of this Administration to the Widows' and Orphans' Pensions Scheme are credited under present practice to revenue and such pensions are charged to Ordinary Working Expenditure. This procedure is in accordance with the Secretary of State's intimations.

The existing liability on account of such pensions is small, but must increase, and it is considered some provision should be made towards meeting this accruing liability.

The matter has been referred to the Secretary of State with a suggestion that the excess of current contributions over current annual payments should be transferred to a special Reserve Account.

The Secretary of State has intimated his acquiescence in the proposal, pending a decision in regard to the general question of funding the Widows' and Orphans' Pensions Scheme.

Consequently, the item of £6,000 has been included in the revised Net Revenue Account.

Ref. No. E.F. 1/37.

GENERAL MANAGER'S OFFICE,
NAIROBI.

14th October, 1936.

1937 ESTIMATES.

Draft Estimates of Revenue and Expenditure for 1937 are submitted herewith for the Board's consideration.

2. A statement is appended, which, it is hoped, will facilitate the Board's review of these draft Estimates, shewing:-

- (a) the 1937 draft Estimates;
- (b) the printed Estimates for 1936;
- (c) the revised Estimates for 1936;
- (d) the actual Revenue and Expenditure for 1935.

Note.

The revised 1936 Estimates, referred to at (c) will form the basis for the Supplementary Estimates for the current year which the Board also will be asked to recommend for adoption.

3. REVENUE ESTIMATE.

<u>Imports.</u>	<u>Tonnage.</u>	<u>Value.</u>	<u>Handling Charges.</u>	<u>Wharfage.</u>	<u>Total Revenue.</u>
		£.	£.	£.	£.
1937 Estimate	250,000	6,800,000	50,000	65,000	115,000
1936 Estimate	185,000	5,447,000	37,000	54,475	91,475
1936 Revised	264,315	6,602,900	52,863	66,029	118,892
1935 Actual	237,718	6,199,400	50,521	61,994	112,515

It is submitted that the foregoing figures indicate that the total estimated revenue from Imports of £115,000 is reasonably conservative.

4.

<u>Exports.</u>	<u>Tonnage.</u>	<u>Total Revenue.</u>
		£.
1937 Estimate	500,000	166,750
1936 "	350,000	120,000
1936 Revised	539,632	179,967
1935 Actual	435,460	148,327

While the 1937 Estimate has been framed with the August Official Cotton Report in view and such information as can be obtained at this date regarding the "Maize" outlook (lesser acreage under cultivation but a better yield per acre) the 1936 exports included tonnages that cannot be expected to be reflected in 1937 shipments to territories adjacent to East Africa.

Due regard, therefore, having been taken of all uncertain factors and no allowance being made for possible new industrial developments, such as Liebig's proposal to establish a factory in Kenya or the Bamboo proposition that is understood to be under consideration in a modified form, the estimated revenue of £166,750 from exports may be regarded as not unduly optimistic.

The Handling and Wharfage charges on Soda is a new item, included in anticipation of the purchase of the Magadi Company's Shimanzi premises, as recommended by the Board, being completed this year. 86

5. The revenue from Coal reflects a slight increase over the current year's original estimate owing to Railway importations being increased.

6. Bunker and Bulk Oils; Marine Earnings;
Miscellaneous Earnings.

The estimate in each case has been based on current revenue.

7. EXPENDITURE.

Abstract "A" - Port Engineering Expenses.

		£.
1937 Estimate	...	20,079
1936 "	...	<u>20,219</u>
Decrease	...	<u>140</u>

The following reflects the position of the several Heads of this Abstract:-

		Estimate: £.	Increase: £.	Decrease: £.
IA. Headquarters Staff	...	948	-	-
IB. District Staff	...	3,868	-	225
II. Maintenance and Minor Renewals of Permanent Way	...	2,224	190	-
III. Maintenance, etc., of Bridges and Culverts	...	75	40	-
IV. Maintenance, etc., of Buildings and Works	...	7,750	-	80
VI. Miscellaneous Services	...	3,814	36	-
VII. New Minor Works	...	1,100	-	100
III. Messages	...	260	4	-
I. Stationery	...	40	-	5
		<u>220,079</u>	-	<u>140</u>

Under Head II, provision is made for the replacement of a number of sleepers in level crossings and this accounts for the increase of 2117 shown under the provision for permanent way materials.

Under IV(c), Staff quarters, the increase of 2235 is due to the necessity for bringing maintenance up to the normal standard.

The increase of 2296 under Miscellaneous Services (e) for water to Staff quarters, is in respect of native employees and is compensated to the extent of 275 shown under the previous item, Conservancy.

A list is attached showing the items included in Head VII - New Minor Works.

8. Abstract "B" - Marine Working.

		£.
1937 Estimate		15,429
1936 "		<u>20,975</u>
Reduction		<u>2 5,546</u>

As the provision for water supplied to ships has been transferred to Abstract "D" (Shore Working), the proper comparison between the two estimates should show an increase of £454.

Apart from the provision for normal staff increments, the increase is mainly due to requirements on account of increased shipping, and calls for no particular explanation.

9. Abstract "C" - Maintenance of Mechanical Plant.

		£
1937 Estimates	...	9,131
1936	"	<u>7,981</u>
Increase	...	<u>£1,150</u>

The increase is mainly accounted for under Head II, Maintenance of Equipment Ashore. It relates particularly, to the maintenance of port cranes. In the interests of the Port's assets, it has been decided to provide for a regular examination, and where necessary, a thorough overhaul of all cranes, etc., on an ordered programme. The change in procedure has been decided on as a result of a study of the methods of other Port authorities and although in 1937, it entails increased expenditure, it is expected it will ultimately lead to increased economy and more efficient service from the plant.

Under Head V, Maintenance of Locomotives, the reduction of £150 is due to a review of the basis upon which the Port was being charged and the proposed adoption of a lower charge per unit.

10. Abstract "D" - Shore Working and Lighterage.

		£
1937 Estimate	...	29,834
1936	"	<u>19,592</u>
Increase	...	<u>£10,242</u>

If the provision for water for ships of £6,000 included in this Estimate for the first time is deducted the net increase is £4,242.

The increase in the tonnages of cargo being handled has involved certain additional staff being engaged during the current year, and this accounts for the additional provision for extra crane-men and clerks, while the acquisition of the Magadi premises also entails some slight increase in Departmental expenditure under this Abstract.

Under Miscellaneous Charges, the increase of £880 for locomotive power, etc., is after allowing for a reduced unit charge of Shs.87/- per engine turn, as compared with the charge of Shs.100/- per engine turn which the Board, at its Meeting in September, 1935, asked should be reviewed and which has been done with the result shown.

The other increases under this Head, which reflects the bulk of the additional anticipated expenditure under this Abstract are all consequential on the considerable increase in the work of the Port.

11. Abstract/

11. Abstract "E" - General Charges.

1937 Estimates ...	£16,899
1936 " ...	15,809
Increase ...	£ 1,090

Normal staff increments and additional staff necessary to cope with the increasing Port work accounts for the bulk of the increase under this Abstract, the additional police, for which provision is made, having been found essential and having already been added to the Port Police Unit.

12. Abstract "F" - Miscellaneous Expenditure.

1937 Estimate ...	£7,955
1936 " ...	6,923
Increase ...	£1,032

The increase of £600 under Provident Fund represents the additional liability on account of the full bonus being provided for in the Estimate. The remaining items are self explanatory.

13. Abstract "G" - Payments to Contractors.

1937 Estimate ...	£276,955
1936 " ...	53,827
Increase ...	£223,128

The estimate has been based on the tonnages employed for the purpose of framing the estimated Port Earnings, and upon the rates of payment due to the Cargo Handling Contractors; no possible reduction in such payments on account of the expiry of the present Contract on the 30th June, 1937, having been allowed for.

14. Total Ordinary Working Expenditure.

	Departmental Expenditure.	Payments to Contractors.	Total.
	£.	£.	£.
1937 Estimate ...	99,327	76,955	176,282
1936 " ...	91,499	53,827	145,326
Increase	£ 7,828	£23,128	£30,956

Percentage of Expenditure to Earnings.

	1937.	1936.
Departmental Expenditure	22.89%	25.42%
Payments to Contractors	17.73%	16.72%
Total	40.62%	42.14%

15. Contribution to Renewals Fund.

1937 Estimate ...	£27,885
1936 " ...	30,223
Reduction ...	£ 2,338

11. Abstract "E" - General Charges.

1937 Estimates ...	£16,899
1936 " ...	<u>15,809</u>
Increase ...	<u>£ 1,090</u>

Normal staff increments and additional staff

necessary to cope with the increasing Port work accounts for the bulk of the increase under this Abstract, the additional police, for which provision is made, having been found essential and having already been added to the Port Police Unit.

12. Abstract "F" - Miscellaneous Expenditure.

1937 Estimate ...	£7,955
1936 " ...	<u>6,923</u>
Increase ...	<u>£1,032</u>

The increase of £600 under Provident Fund represents the additional liability on account of the full bonus being provided for in the Estimate. The remaining items are self explanatory.

13. Abstract "G" - Payments to Contractors.

1937 Estimate ...	£76,955
1936 " ...	<u>53,827</u>
Increase ...	<u>£23,128</u>

The estimate has been based on the tonnages employed for the purpose of framing the estimated Port Earnings, and upon the rates of payment due to the Cargo Handling Contractors; no possible reduction in such payments on account of the expiry of the present Contract on the 30th June, 1937, having been allowed for.

14. Total Ordinary Working Expenditure.

	<u>Departmental Expenditure.</u>	<u>Payments to Contractors.</u>	<u>Total.</u>
	£.	£.	£.
1937 Estimate ...	99,227	76,955	176,282
1936 " ...	<u>91,499</u>	<u>53,827</u>	<u>145,326</u>
Increase	<u>£ 7,828</u>	<u>£23,128</u>	<u>£30,956</u>

Percentage of Expenditure to Earnings.

	1937.	1936.
Departmental Expenditure	22.89%	28.42%
Payments to Contractors	<u>17.72%</u>	<u>16.72%</u>
Total	<u>40.62%</u>	<u>45.14%</u>

15. Contribution to Renewals Fund.

1937 Estimate ...	£27,885
1936 " ...	<u>30,223</u>
Reduction ...	<u>£ 2,338</u>

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Normal staff increments and additional staff necessary to cope with the increasing Port work accounts for the bulk of the increase under this Abstract, the additional police, for which provision is made, having been found essential and having already been added to the Port Police Unit.

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Increase ...	£23,128

The estimate has been based on the tonnages employed for the purpose of framing the estimated Port Earnings, and upon the rates of payment due to the Cargo Handling Contractors; no possible reduction in such payments on account of the expiry of the present Contract on the 30th June, 1937, having been allowed for.

14. Total Ordinary Working Expenditure.

	<u>Departmental Expenditure.</u>	<u>Payments to Contractors.</u>	<u>Total.</u>
	£.	£.	£.
1937 Estimate ...	99,327	76,955	176,282
1936 " ...	91,499	53,827	145,326
Increase	£ 7,828	£23,128	£30,956

Percentage of Expenditure to Earnings.

	1937.	1936.
Departmental Expenditure	22.89%	28.42%
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Total	40.62%	45.14%

15. Contribution to Renewals Fund.

1937 Estimate ...	£27,885
1936 " ...	30,223
Reduction ...	£ 2,338

11. Abstract "E" - General Charges.

1937 Estimates	...	£16,899
1936	"	15,809
Increase	...	£ 1,090

Normal staff increments and additional staff necessary to cope with the increasing Port work accounts for the bulk of the increase under this Abstract, the additional police, for which provision is made, having been found essential and having already been added to the Port Police Unit.

12. Abstract "F" - Miscellaneous Expenditure.

1937 Estimate	...	£7,955
1936	"	6,223
Increase	...	£1,032

The increase of £600 under Provident Fund represents the additional liability on account of the Full Bonus being provided for in the Estimate. The remaining items are self explanatory.

13. Abstract "G" - Payments to Contractors.

1937 Estimate	...	£76,955
1936	"	53,827
Increase	...	£23,128

The estimate has been based on the tonnages employed for the purpose of framing the estimated Port Earnings, and upon the rates of payment due to the Cargo Handling Contractors; no possible reduction in such payments on account of the expiry of the present Contract on the 30th June, 1937, having been allowed for.

14. Total Ordinary Working Expenditure.

	<u>Departmental Expenditure.</u>	<u>Payments to Contractors.</u>	<u>Total.</u>
	£.	£.	£.
1937 Estimate ...	99,327	76,955	176,282
1936 " ...	91,499	53,827	145,326
Increase	£ 7,828	£23,128	£30,956

Percentage of Expenditure to Earnings.

	1937.	1936.
Departmental Expenditure	22.89%	28.42%
Payments to Contractors	17.73%	16.72%
Total	40.62%	45.14%

15. Contribution to Renewals Fund.

1937 Estimate	...	£27,885
1936	"	30,223
Reduction	...	£ 2,338

As the 1937 Provision includes £2,500 in respect of the Magadi Company's property, the actual reduction is 14,838, which is fully explained in the Report on the Renewals Fund, circulated to Members and referred to in Minute 1023 of the 29th July, 1936.

Reference to page 23 of that Report summarizes the position, the slight difference between the 1937 provision (less contribution on account of Magadi property) and the contribution shown in Table H.I. on the 1935 estimate of cost of replacement being due to new assets since acquired.

16. Total Estimated Working expenditure.

	1937. £.	1936. £.		£.
Departmental Expenditure	99,327	91,499	Increase	7,828
Payments to Contractors	76,956	53,827	"	23,128
Contribution to Renewals	27,885	30,223	Decrease	2,338
Total	204,167	175,549	Increase	28,618

Percentage of Total Working Expenditure to Earnings.

1937 Estimate	47.04
1936 "	54.53

17. Net Revenue Account.

	1937. £.	1936. £.
Balance transferred from Revenue Acct.	229,832	167,371
Interest on Stamp Duty Reserve Fund	400	-
	<u>230,232</u>	<u>167,371</u>
Interest Charges	182,745	180,276
Loan Redemption Charges	35,285	35,009
Write Down of Stores Stocks on Account of Obsolescence & Depreciation	100	-
	<u>218,130</u>	<u>215,285</u>
Balance transferred to Combined Net Revenue Appropriation Account	12,103 (Surplus)	68,914 (Deficit)

The 1937 Estimate, therefore, reflects an improvement of £21,017 as compared with that for 1936.

The Loan Charges include those due in respect of the purchase price of the Magadi Property.

The item of £400 on the credit side of the Account for interest on Stamp Duty Reserve Fund, represents the interest on Loan Funds invested for the purpose of meeting Stamp Duty on transfers of Kenya Stocks which, under the conditions governing the issue of such stocks ~~which~~ are transferred free of charge to the Stock-holder. Prior to 1935 such interest was credited to the Stamp Duty Reserve Fund, but following a ruling by the Secretary of State is now credited to Net Revenue Account.

18. The Port Manager will be in a position to furnish the Board and Sub-Committee with any further details required regarding the 1937 Estimates.

19. Abstract "M" - Expenditure on New Works.

This Estimate will be submitted separately.

No. E.F. 2/37.

General Manager's Office,

Nairobi,

24th September, 1936.

COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURE -

HARBOURS.

Expenditure.	Draft Estimates 1937.	Printed Estimates 1936.	Revised Estimates 1936.	Actual 1935.		Draft Estimates 1937.	Printed Estimates 1936.	Revised. Ests. 1936.	Actual 1935.
Engineering Expenses	20079	20219	20,219	18,433	Imports excluding Coal and Bulk Oils				
Marine Working	15429	20975	20,975	20,981	Handling	50,000	37,900	52,863	50,511
Maintenance of Mechanical Plant	9131	7981	7,981	8,046	Wharfage	65,000	54,470	65,029	61,990
Shore Working & Lighterage	29834	19592	22,627	17,995	Exports including Bunker and Bulk Oils, Handling & Wharfage.	172,750	120,000	179,967	148,327
General Charges	16899	15809	17,040	14,946	Import wharfage on Coal	4,000	3,500	4,000	4,500
Miscellaneous Expenditure	7955	6923	7,441	6,975	Import wharfage on Bulk Oils	15,000	12,700	15,153	14,907
Departmental Expenditure	99327	91499	96,283	87,376	Export wharfage on Bunker and Bulk Oils	1,250	1,250	1,019	1,144
Payments to shore handling & Lighterage Contractors	76955	53827	79,971	68,271	Marine Charges Etc.	73,000	57,000	75,324	67,195
Total ordinary working expenditure.	176282	145,326	176,254	155,647	Miscellaneous Earnings	53,000	36,000	53,839	45,068
Renewals Contribution	27,885	30,223	25,385	30,254	5% Surcharge				17,159
Balance net earnings carried to net Revenue Account	204,167	175,549	201,639	185,973					
	229,866	146,371	245,555	222,951					
Total	434,000	321,920	448,194	408,922	Total	434,000	321,920	448,194	408,922

MEETING OF THE SUB-COMMITTEE APPOINTED AT MINUTE
1028 TO EXAMINE THE HARBOUR ESTIMATES FOR 1937,
HELD IN THE PORT MANAGER'S OFFICE.

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The Sub-Committee sat on the 28th. and 29th. of September, the Port Manager and Secretary to the Board were in attendance throughout.

2. In the first place the Sub-Committee wishes to express its appreciation of the manner in which the Draft Estimates have been presented and of the comprehensive nature of the notes furnished in the covering memorandum, which have greatly facilitated discussion.

3. REVENUE ESTIMATES. The Sub-Committee is of opinion that the Import Tonnage and Value figures which form the basis of the Import Revenue Estimate merit the claim made in the memorandum that they are "reasonably-conservative", and accordingly recommends them for the acceptance of the Board.

On the other hand it is noted that the memorandum claims that the Export Revenue figures are "not unduly optimistic". The Sub-Committee is in agreement with this view, but advances the considered opinion that there is no reason for varying the basis upon which Import and Export Revenue should be estimated and feels, therefore, that the total Export Revenue Estimate of £166,750 should be reduced by a sum of £10,000, thus also being rendered "reasonably-conservative" and in accordance with the Import Revenue Estimate.

4. EXPENDITURE ESTIMATES. The Sub-Committee, after detailed examination of the Expenditure Estimates, recommends them for the approval of the Board, subject to the following:-

The alteration of the scale of salary in respect of Pilots as suggested in the Administration's memorandum SPG,9/10 of the 25th September be accepted as manifestly due and justified by present conditions, it being understood that this alteration means the deletion of the temporary non-permissible allowance of £225 appearing at Abstract B.I.(a) B.

- (ii) The Sub-Committee notes that under Abstract E.IH(a) that the Railway contributes the sum of £250 to the salary of the Port Manager and District Traffic Superintendent, and having regard to the extreme importance and considerable responsibility placed upon the Controlling Officer of a Port such as Bombay, feels that the Port Manager is not remunerated sufficiently in relation to heavy responsibility he carries. His predecessor was drawing £1,350 per annum when he vacated post; in view of improved conditions and the appreciable increase of cargo handled Port with an attendant increase in responsibility the Sub-Committee recommends that the Port Manager's salary be increased to and fixed £1,250 per annum.

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HARBOURS ESTIMATES - 1937.

NEW MINOR WORKS - ABSTRACT A.VII.

	£.
1. Extension to Yardmaster's Office ...	70
2. Shelter for three cars, Customs Office, Kilindini Harbours ...	30
3. Provision of Kitchen, House No.59, Kilindini ...	45
4. Extensions and Alterations, Port Offices, Kilindini Harbour ...	120
5. Provision of Native latrine, Kilindini Railway Club ...	20
6. Doubling of end Platform Doors, Transit Shed No.5, Kilindini Harbour ...	50
7. Provision of expanded metal on brick barrack verandahs, Asian barracks, building No.23, M'baraki ...	50
8. Provision of expanded metal to verandah, House No.52, Kilindini ...	20
9. Provision of ceilings in stores and bathrooms, Barracks 23, Macupa ...	20
10. Alterations to "D" Shed ...	200
11. Unforeseen items ...	475

£1,100

(iii) At Abstract E.VII (a) it is observed that the sum of £206 has been provided for additional Police. On enquiry, the Sub-Committee is informed that this expenditure represents the services of 7 African Constables. The Sub-Committee feels that the time has now arrived when immediate consideration should be given to obtaining the services of a fully qualified G.I.D. Officer (European) for the Port. In making this recommendation, the Sub-Committee does not wish to cast any reflection upon the existing Port Police, European, Asian and African, as it considers that they carry out their duties most conscientiously. The Port Police Unit inclusive of the additional 7 Constables is, however, in the opinion of the Sub-Committee, seriously handicapped in the investigation of thefts and crime generally, by reason that it is sufficient only for the maintenance of law and order and the usual duties of watch and ward. The intention of the proposal, therefore, is to remedy this deficiency and so bring the Port of Mombasa into line with other Ports of equal rank.

(iv) Abstract E.VII. The heading "Loss on Stores" would more rightly be described as "Depreciation on Stores" and should be amended accordingly, with the consequential alteration in the explanations column.

(Signed) E. G. BALE - CHAIRMAN.

(Signed) W. G. NICOL - MEMBER.

(Signed) J. C. WHITE - MEMBER.



ESTIMATES

OF THE

Revenue and Expenditure

OF THE

Kenya and Uganda Railways and Harbours

INCLUDING:

Main and Branch Lines

Lake Marine Services

Motor Services

Coast Port Services

1937

Memorandum by the General Manager

RAILWAYS, MOTOR, MARINE AND HARBOURS SERVICES

1. A comparison of the estimated Revenue and Expenditure for 1937 with the Estimates for 1936 is given in the summarized Revenue Account Statements.

2. The Total Route Mileage of Open Lines during 1937 will be as follows:

<i>Main Line</i>	<i>Miles</i>
Mombasa to Kampala	879
<i>Principal Lines</i>	
Kisumu Line (Nakuru Junction to Kisumu)	131
Soroti Line (Tororo to Soroti)	100
Voi Kaha Line (Voi to Kaha Junction)	92
<i>Minor and Branch Lines</i>	
Solar Branch (Rongai to Lake Solar)	27
Yala Branch (Kisumu to Butere)	43
Kitala Branch (Laiseri to Kitala)	41
Namasagali Line (Mbulamuli to Namasagali)	19
Kampala Port Bell Line	6
Thomson's Falls Branch (Gidigi to Thomson's Falls)	48
Nanyuki Branch (Nairobi to Nanyuki)	145
	1,531
<i>Lines Worked but not Owned.</i>	
Magadi Branch (Konza to Lake Magadi)	91
	Total 1,622

there being no change in the mileage estimated for 1936.

<i>Steamship Services.</i>	<i>Route Mileage</i>
Lake Victoria	2,085
Lake Kioga	697
Lake Albert	757
Kagera River	198
	Total 3,737

as compared with an estimated Route Mileage in 1936 of 3,723, the increase of 14 miles being due to an alteration rendered necessary in the sailing route.

3. REVENUE.

The estimate of Railway Revenue of £2,474,565, which represents an increase of £358,565 over the 1936 estimate, is the net estimated earnings after allowing for a substantial sum in respect of Rates and Passenger Fare reductions.

Revenue

Expenditure 4. **ORDINARY WORKING EXPENDITURE.**

The increase of £140,604 in the estimated Ordinary Working Expenditure—an increase equal to approximately 13 per cent—is accounted for as follows:

Abstract A **ENGINEERING EXPENSES.—Increase £12,911.**

The provision for promotions, normal increments, staff reliefs, etc., accounts for £2,929 of the increase, whilst the sum of £1,116 has been included for additional temporary staff mainly for the purpose of keeping abreast with and to overtake arrears of necessary maintenance and minor renewals. Increased provision to the extent of £4,944 is necessary for the maintenance and minor renewal of Buildings and Works mainly on account of Station Buildings and Workshops, Staff Quarters, Roads, Platforms, Drainage and Fencing; also in respect of Sewerage Works. An increase of £3,587 is necessary under Miscellaneous Services for Bush Clearing and other Health Measures; Tools and Plant and Water Supplies.

Abstract B **LOCOMOTIVE RUNNING EXPENSES.—Increase £58,635.**

Of the increased provision, £1,156 is in respect of normal increments, promotions and relief allowances. A sum of £1,115 is included in respect of part salaries of certain supervisory staff previously shown under Abstract "C". The balance of the increase after allowing for certain savings, is due mainly to the additional Fuel (£43,180); Running Allowances and Overtime (£11,391) and Water (£1,174), which the anticipated increase in Train and Engine Miles will involve.

Abstract C **MAINTENANCE OF ENGINES AND ROLLING STOCK.—Increase £23,882.**

Increased provision, on account of the estimated additional mileage to be worked, has been made to the extent of—

£18,653 in respect of maintenance of Locomotives;

£3,112 in respect of maintenance of Coaching and Goods Stock,

£2,765 in respect of maintenance of Machinery, Tools, and Plant, etc.

Additional provision to the extent of £2,476 on account of Staff Increments, etc. Against this increased provision of £26,006 there are savings of £500 on account of Passages, £1,761 due to lesser requirements for New Minor Works, while the balance is represented by the adjustment in respect of the supervisory staff referred to in Abstract "B".

Abstract D **TRAFIC EXPENSES.—Increase £31,375.**

The increases under this head are mainly in respect of necessary additional provision for Temporary Staff (£23,500), Taraulins (£2,968), Loading and Unloading of Trucks (£13,300), Overtime and Trip Allowances (£4,900), Cleaning of Carriages and Wagons (£540), to cope with the increased traffic anticipated, which increase in freight ton miles is estimated at 52.19 per cent, the balance being accounted for by provision for normal staff increments, etc.

Abstract E **GENERAL CHARGES.—Decrease £7,962.**

The main decreases are £4,440 in respect of expenses in connection with the Empire Exhibition at Johannesburg and £7,000 for Medical Expenses now provided for under Abstract "H". Miscellaneous Expenses. Increased provision has been made to the extent of £1,491, on account of normal increments, etc., £514 for Passages, £744 for Mechanical Accounting, £479 for Miscellaneous Expenses, and £250 for Special Publicity purposes.

Abstract F **STREAMER SERVICES.—Increase £7,391.**

Increases under this vote are due mainly to requirements for the estimated increased mileage and are as follows:—

Fuel £4,902, Running Stores £100, Maintenance £915, General Stores £200, and Staff £362. Passage requirements account for £400, whilst there is a decrease of £370 under Maintenance of Channels.

MOTOR SERVICES.—Increase £308.

The increased expenditure is mainly in respect of Running Expenses to provide for the anticipated increased mileage.

MISCELLANEOUS EXPENDITURE.—Increase £14,964.

Additional provision has been made to cover the full liability of the Administration to the Provident Fund and for Gratuities (£6,500), and for Pensions, Gratuities and Compensation (£700). The cost of Medical Expenses £7,000, previously shown under Abstract "E", is now included in this abstract.

RENEWALS CONTRIBUTION.—Increase £17,040.

The increase is mainly due to the resumption of contribution in respect of Marine Assets.

TOTAL WORKING EXPENDITURE.—Increase £157,644.

The total estimated working expenditure (including contributions to the Renewals Funds) of £1,583,381 is £157,644 above the 1936 Estimate, and represents 64 per cent of the estimated Revenue as compared with 67.4 per cent in the 1936 Estimate. The estimated Ordinary Working Expenditure (i.e. exclusive of contributions to the Renewals Fund) is £140,604 above the 1936 estimate and represents 49.75 per cent of the estimated Revenue as compared with 51.55 per cent of the 1936 Revenue Estimates.

5. **NET REVENUE ACCOUNT.**

There is an increase of £865 in Loan Fund Charges, details of the 1937 and 1936 Estimates being:—

	1937	1936	
	£	£	£
Interest Charges	526,981	525,861	+ 1,120
Loan Redemption Charges	102,171	102,426	- 255
Total	629,152	628,287	+ 865

The differences are due to reduced interest on unspent loan balances and to loan charges on funds re-allocated to Harbours.

A sum of £17,500 has been included to meet the Write-off of Dead Assets and £2,000 to cover the value of obsolete stores which may have to be written off.

Provision also has been made to the extent of £5,000 to meet estimated cost of demolition and transfer of assets, as well as a sum of £6,000 in respect of Widows' and Orphans' Pension Scheme Reserve.

In addition to the balance transferred from the Revenue Account, an amount of £75,000 in respect of the estimated interest on Cash Balances in Advances has been included in this Account, an increase of £18,000 over 1936 due to higher yields on investments anticipated during 1937. A sum of £1,000 also has been included in respect of anticipated yields from released and retrieved materials.

The estimated surplus to be carried to the Combined Net Revenue Appropriation Account is £307,582, as compared with a surplus of £107,026 in the 1936 Estimates, an increase of £200,556.

HARBOURS SERVICES

6. The estimated Revenue of £434,000 reflects an increase of £112,080, compared with the 1936 estimate.

Abstract G

Abstract H

Renewals
ContributionTotal
Working
ExpenditureNet
Revenue
AccountHarbours
Services

Ordinary Working Expenditure is estimated at £176,198, being made up of, and comparing with the 1936 estimates as follows:—

	1937	1936	
	£	£	£
Departmental Expenditure	99,243	91,499	+ 7,744
Payments to Contractors (Shore Handling and Lighterage)	76,955	53,827	+ 23,128
Total ...	£176,198	£145,326	+ £30,872

The increase in Departmental Expenditure is mainly due to additional staff, etc., necessary to deal with the anticipated increased tonnage of cargo and to additional provision for the working and maintenance of Port cranes. The additional provision for payments to Contractors has been based on the increased tonnages of Cargo expected to be handled.

The provision for Renewals Contribution of £27,885 reflects a decrease of £2,338.

Net Revenue Account

7. NET REVENUE ACCOUNT.

Loan Fund Charges amount to:—

	£	£
Interest	182,745	
Redemption	35,285	
		218,030
Provision for a Reserve for the Widows' and Orphans' Pension Scheme		600
Provision to meet the write-off of Obsolete Stores has been made to the extent of		100
		£218,730

In addition to the balance of £229,917 transferred from Revenue Account an amount of £400 in respect of the estimated interest on the Stamp Duty Reserve Fund has been included, making the total:—

	£230,317
leaving an estimated surplus of	£11,587
as compared with the original estimated deficit for 1936 of	£68,914

COMBINED NET REVENUE APPROPRIATION ACCOUNT

8. The balances transferred to this Account from the Net Revenue Accounts of the Railways and Harbours are:—

	£	£
Railways: Surplus	307,582	
Harbours: Surplus	11,587	
		319,169
Less Reserve for Depreciation of Investments		5,000
Net Surplus to be transferred to Betterment Funds and Pensions Reserve Account		314,169

Abstracts L. & M. and Appendices

9. EXPENDITURE FROM RENEWALS AND BETTERMENT, LOAN, ETC., FUNDS.

Abstract "L" shows the expenditure contemplated on works in progress and proposed from Renewals, Betterment, etc., Funds—Railways, Road and Marine Services.

Abstract "M" shows the expenditure contemplated on works in progress and proposed from Renewals, Betterment, etc., Funds—Harbours Services.

Appendix I reflects the estimated position of the Renewals and Betterment Funds and Capital and Reserve Accounts at 31st December, 1937.

Appendices II and III detail the Interest and Sinking Fund Charges.

Appendix IV gives in detail the Pensions chargeable against the Revenue of the Administration.

Appendix V gives particulars of all the items which appear in the various Abstracts under "Miscellaneous Expenses."

Appendices VI to IX contain full details of the Administration's Wasting Assets.

G. D. RHODES,

General Manager.

KENYA AND UGANDA RAILWAYS AND HARBOURS

COMBINED NET REVENUE APPROPRIATION ACCOUNT

	£		£
Reserve for Depreciation of Investments	5,400	Balance from Net Revenue Account (Railways)	307,582
Betterment Fund Railways	286,582	Balance from Net Revenue Account (Harbours)	11,587
Betterment Fund Harbours	11,587		
Pensions Reserve Account	16,000		
	£319,169		£319,169

KENYA AND UGANDA RAILWAYS AND HARBOURS

ESTIMATES, 1937

RAILWAYS—REVENUE ACCOUNT

Expenditure	Abstract	1937				Earnings	1936			
		1937	1936	Increase	Decrease		1937	1936	Increase	Decrease
		£	£	£	£	£	£	£	£	
Engineering Expenses	A	215,764	202,853	12,911		Passengers	130,200	158,000	27,800	
Locomotive Running Expenses	B	263,214	224,579	58,635		Parcels and Luggage	37,000	36,000	1,000	
Maintenance of Engines and Rolling Stock	C	215,156	191,274	23,882		Tire Stock	18,500	22,000	3,500	
Traffic Expenses	D	262,440	231,065	31,375		Goods	2,234,000	1,860,000	384,000	
General Charges	E	98,206	106,162	31,375		Telegraphs	1,365	1,200	165	
Steamer Services	F	70,149	62,758	7,391	7,962	Miscellaneous	53,500	48,800	4,700	
Motor Services	G	11,824	11,516	308						
Miscellaneous Expenditure	H	74,833	60,569	14,064						
Total Ordinary Working Expenditure		1,231,380	1,090,776	140,604						
Renewals Contribution	I	351,951	334,911	17,040						
Total		1,583,331	1,425,687	157,644						
Balance Net Earnings carried to Net Revenue Account		891,234	690,313	200,921						
TOTAL	£	2,474,565	2,116,000	358,565	TOTAL	£	2,474,565	2,116,000	358,565	

RAILWAYS—NET REVENUE ACCOUNT

Loan Interest Charges	£	526,981	Balance from Revenue Account (Railways)	£	891,234
Loan Redemption Charges		102,171	Interest on Cash Balances, Investments and Advances		75,000
Write-off of Dead Assets		17,500	Released and Retrieved Material		1,000
Write-down of Stores Stocks on account of Obsolescence and Depreciation		2,000			
Demolition and Transfer of Assets		5,000			
Widows' and Orphans' Pension Scheme Reserve		6,000			
Balance transferred to Combined Net Revenue Appropriation Account		307,582			
TOTAL	£	967,234	TOTAL	£	967,234

KENYA AND UGANDA RAILWAYS AND HARBOURS

ESTIMATES, 1937
HARBOURS REVENUE ACCOUNT

Expenditure	1937	1936	Inc. or decrease	Earnings	1937	1936	Inc. or decrease
Engineering Expenses	£ 20,079	20,219	140	Imports excluding Coal and Bulk Oils	£ 50,000	57,000	13,000
Marine Working	15,545	20,475	5,430	Loading 250,000 tons	65,000	54,170	10,830
Maintenance of Mechanical Plant	9,131	7,981	1,150	Wharfage	172,750	120,000	52,750
Shore Working and Lightering	29,609	18,592	10,017	Exports excluding Bunker and Bulk	4,000	3,570	430
General Charges	16,924	18,800	1,135	Oils - Handling and Wharfage	15,000	12,700	2,300
Miscellaneous Expenditure	7,955	6,923	1,032	Import Wharfage on 80,000 tons Coal	1,250	1,250	—
Departmental Expenditure	99,243	94,490	7,744	Export Wharfage on Bunker and Bulk	73,000	57,000	16,000
Payments to Shore Handling and Lightering Contractors	76,955	53,827	23,128	Oils	53,000	36,000	17,000
Total Ordinary Working Expenditure	176,198	145,395	30,872	Marine Charges, etc.	—	—	—
Renewals Contribution	27,885	30,223	2,338	Miscellaneous Earnings	—	—	—
Total	204,083	175,540	28,534	TOTAL	£ 434,000	£ 321,920	£ 112,080
Balance Net Earnings carried to Net Revenue Account	229,917	146,371	83,546				
TOTAL	£ 434,000	£ 321,920	£ 112,080				

HARBOURS—NET REVENUE ACCOUNT

Loan Interest Charges	£ 182,745		
Loan Redemption Charges	35,285		
Widows' and Orphans' Pension Scheme Reserve	600		
Write-down of Stores Stocks on account of Obsolescence and Depreciation	100		
Balance carried to Combined Net Revenue Appropriation Account	11,387		
TOTAL	£ 230,317		
Balance from Revenue Account (Harbours)	229,917		
Interest on Stamp Duty Reserve Fund	400		
TOTAL	£ 230,317		

RAILWAYS ESTIMATES
1937