Reg. No.	Nature and Locality of Work	Allocation		Total of Estimate £ s. cts.
625	Packwach. Reconstruction of existing wharf, etc.	Renewals Railway, Item 5 of 1937	1,945	
		Capital Account Expenditure Railway Item 5 of 1937	1,355	
				3,300 0 00
626	Naivasha. Additional loop	Capital Account Expenditure Railway, Item 1 (c) of 1937		1,000 0 00
627	Gilgil–Nakuru. Survey of a proposed diversion	Betterment Railway, Item 1 (c) of 1937		1,260 0 00
628	Voi–Bura. Survey of a proposed diversion	Betterment Railway, Item 1 (c) of 1937		1,800 0 00
629	Renewal of turnout timber sleepers, 171 sets on Main and Branch Lines	Renewals Railway, Item 1 of 1937		3,420 0 00
630	Renewals of points and crossings on Main and Branch Lines, 80 lb., 16 sets; 50 lb., 59 sets	Renewals Railway, Item 1 of 1937		5,448 0 00
631	Renewals of rail joints with proportionate cropping on Kisumu Branch, 40 miles	Renewals Railway, Item 1 of 1937		5,140 0 00
632	Renewals of steel sleepers on Voi–Kahe Branch, 5½ miles	Renewals Railway, Item 1 of 1937		1,925 0 00
633	Renewals of steel sleepers on Voi–Kahe Branch, 5½ miles	Renewals Railway, Item 1 of 1937		2,361 0 00
634	Renewals of three miles of steel sleepers, Mile 5 to Mile 8, Uasin Gishu Railway	Renewals Railway, Item 1 of 1937		2,650 0 00
635	Malaba–Mbulamuti and Tororo–Kumi. Reconstruction of telegraph pole routes and diversion of Post Office trunk between Nsinze and Mbale via Tororo	Renewals Railway, Item 6 of 1937	£ 2,675	
		Capital Account Expenditure Railway, Item 6 of 1937	1,180	
		Revenue Account Railway	45	
				3,900 0 00
636	Nanyuki Branch. Renewals of ballast	Renewals Railway, Item 1 of 1937		4,100 0 00

Reg. No.	Nature and Locality of Work	Allocation		Total of Estimate £ s. cts.
637	Extension of accommodation at African Apprentices Hostel	Capital Account Expenditure Railway, Item 3 of 1937		795 0 00
638	Kilindini. Renewal of floor of Loco. Shed	Renewals Railway, Item 4 of 1937		988 0 00
639	Ulu. Renewal of Asian staff quarters and African landie	Capital Account Expenditure Railway, Item 3 of 1936	£ 252	
		Renewals Railway, Item 3 of 1936	700	
				952 0 00
640	Nakuru. Provision of a 60-ton weighbridge	Capital Account Expenditure Railway, Item 2 of 1937	700	
		Renewals Railway, Item 2 of 1937	1,700	
				2,400 0 00
641	Magadi Branch. Mile 30 to Mile 33. Three miles of 5-inch water main	Renewals Magadi Railway, Item 2 of 1937		3,000 0 00
642	Nairobi. Loco. Shed. Additional drop pit	Betterment Railway, Item 2 of 1937		900 0 00
643	Bura Water Supply. Renewal of pipe line from the Bura Hills to Bura Station	Capital Account Expenditure Railway, Item 2 of 1937	£ 382	
		Renewals Railway Item 2 of 1937	518	
				900 0 00
644	Kisumu. Provision of a 60-ton weighbridge	Capital Account Expenditure Railway Item 2 of 1937	700	
		Renewals Railway Item 2 of 1937	1,700	
				2,400 0 00
645	Njoro Station. One third class station building and 1/2 unit Asian staff quarter in concrete block	Capital Account Expenditure Railway, Item 2 of 1937	471	
		Renewals Railway, Item 2 of 1937	354	
				825 0 00

14

Reg. No.	Nature and Locality of Work	Allocation	Total of Estimate £ s. cts.
646	Masindi Port. Alterations and additions to Goods Shed ..	Capital Account Expenditure Railway, Item 2 of 1936 .. .. .. £1,300; Revenue A.VII 200	1,500 0 00
647	Elburgon. One 3/2-unit Asian staff quarter, one 12-unit African landie with kitchens, etc., and one third class station building, all in concrete block	Capital Account Expenditure Railway, Item 3 of 1937 .. .. .. 1,331; Renewals Railway, Item 3 of 1937 .. 734	2,065 0 00
648	Macupa. 43-unit menial landies in brick with out-quarters	Capital Account Expenditure Railway, Item 3 of 1937	1,898 0 00
649	European bungalow, Nakuru	Renewals Railway, Item 3 of 1937	900 0 00
650	Renewal of pipe screwing machines, drilling machine, sawing machine, stone crusher, stone granulator, lathe wood-working, punching and shearing machine	Renewals Railway, Item 10 of 1937	1,560 0 00
651	Nairobi. Landie area. Twelve 5/2-unit Asian artisan barracks in stone with concrete slab roof to be built in Sandiford Road area and nine 4/2-unit superior grade African quarters in pre-cast concrete slab units.	Capital Account Expenditure Railway Item 3 of 1937 .. .. .. £5,552; Renewals Railway Item 3 of 1937 .. 10,368	15,920 0 00
652	Kisumu. Slipway for lighters	Capital Account Expenditure Railway, Item 5 of 1937	4,000 0 00
653	Eldoret. Provision of one junior European house	Capital Account Expenditure Railway, Item 3 of 1937	900 0 00
654	Tororo. Provision of 3/12-unit African landies, with six kitchens, 1/5-unit bathroom, 2/4-unit latrines	Capital Account Expenditure Railway, Item 3 of 1937	1,300 0 00
655	Tororo. Provision of 11/2-unit superior grade African quarters with 3/2-unit latrines	Capital Account Expenditure Railway, Item 3 of 1937	1,650 0 00

2. Council noted that the sanction of the High Commissioner had been obtained on Certificates of Emergency for the following additional expenditure on works already approved by Council :—

		£
(*a*) Sheds for Protection of Cotton Seed Traffic		
	Kampala	1,500
	Nsinze	897
	Katebo	900
	Bukakata	965
	Kamuli	600
	Namaganda	595
	Nagongera	370
	Magodes	375
(*b*) Oil Fuel Equipment for Lake Albert Service		2,881
(*c*) Machinery for Fabricating Switches, Stock Rails and Crossings at a Depot in Nairobi		3,800
(*d*) Roads and Drains—Railway Residential Areas, Nairobi		761

1081 **RATES ON UNHUSKED RICE. (R.A.C. 11.)**

On the understanding that the change will be advertised publicly in the usual way,

Council agreed to recommend :—

That the maximum rate on unhusked rice in 10-ton lots and over be increased from Sh. 25 to Sh. 35 per ton from the 1st June, 1937.

1082 **RATES FOR ALUMINIUM SHEETS IN 10-TON LOTS. (R.A.C. 11.)**

After a thorough discussion of the memorandum circulated to them, as requested in Minute No. 1061 (c), Council agreed to recommend :—

That the request of the East African Aluminium Works, Lugazi, for a reduction in the rate on aluminium sheets in 10-ton lots be declined.

1083 **RATES REDUCTIONS. (R.A.C. 11A.)**

Passenger Fares.

Council accepted the recommendations of the General Manager that, for the present, the return fare for passengers be maintained at single fare plus one-half and that the age limit for which tickets for children should be issued should be raised to sixteen years.

15

Rate on Sugar.

The General Manager undertook to make further efforts to secure from the manufacturers an undertaking that sugar should be distributed by the Railway services and not by means of dhows.

2. The proposed reductions on Bicycles, Masindi Road–Butiaba terminals, Sugar and Corrugated Iron in bulk, agreed to provisionally at the previous meeting of Council, were finally confirmed.

At this point, Colonel Griffiths, General Manager of the Kenya Farmers' Association, entered the meeting on the invitation of Council, in order that members might hear his views before dealing with the applications for a reduction in the rate on maize for export.

The Chairman, in welcoming Colonel Griffiths, stated that he himself was anxious to know the present position of the maize industry, particularly in view of the rebate granted last year with the object of assisting transfer over to mixed farming.

Colonel Griffiths explained that, in his view, there would be a steady transfer from the export of maize to the local use of maize, particularly in connection with mixed farming and the dairy industry. He explained that this process had already taken place in America and that while the area under maize might increase and the production of maize might, therefore, become much greater than at the present time, he anticipated that in due course much of the increase would be consumed locally. He, however, also stressed the advisability of maintaining some export of maize, in order to ensure the stability of the main food supply of the Colony. He explained that the total export anticipated for 1937 would be in the neighbourhood of 75,000 tons, part of which would be native-grown maize. The steamship rate had risen from 17/6 by various stages up to the present rate of 25/-, which he considered a normal rate.

Colonel Griffiths also explained in general terms the reason for the request of the industry for a reduced rate and quoted detailed costs to show how this was justified.

In response to a question, he informed Council that the present price for maize f.o.r. was £3 to £3/10/- per ton.

After further discussion, Colonel Griffiths was thanked by the Chairman and withdrew.

Council adjourned until 9 a.m. on Tuesday, December 1st.

16

Tuesday, 1st December, 1936.

1084 CAPACITY OF THE RAILWAY, 1937. (R.A.C. 25.)

The General Manager explained that a meeting had been held the previous afternoon, at which he and the Superintendent of the Line had met Colonel Griffiths and Mr. Tilbrook, representing the maize and cotton seed industries respectively and Mr. Folkes and Colonel Tucker representing the Railway Advisory Council, to discuss the question of the quotas to be allotted for the transport of maize and cotton seed during the coming season. He laid on the table a memorandum (attached as Appendix I) outlining the agreement that had been reached and drew attention particularly to the difficulty that had been created owing to the Shipping Companies having quoted an increased rate for the movement of cotton seed after March shipments.

2. With regard to the latter point, Council felt that it was somewhat outside their control, but it was hoped that the matter would be suitably represented in the proper quarter.

3. Council noted with satisfaction that a settlement had been reached and particularly wished to acknowledge the helpful attitude of the two industries in considering this difficult problem.

4. Council also recorded a vote of thanks to Colonel Tucker and Mr. Folkes for their share in the proceedings.

1085 [illegible]ON ON LAKE VICTORIA. (R.A.C. 15.)

Council noted the request from the Government of Tanganyika that the proposed rates reductions should not apply to Tanganyika Lake Ports and that the High Commissioner had agreed to accede to this request pending further consideration of the problem by the Transport Policy Board, in the light of Sir Osborne Mance's report.

1086 MILEAGES TO LAKE VICTORIA PORTS. (R.A.C. 15.)

Council discussed the memorandum on the above question, and, not wishing this matter to take priority over the proposed rates reductions, desired that the memorandum should be resubmitted at the next meeting of Council.

1087 EXPERIMENTAL RAIL CAR SERVICE. (R.A.C. 22.)

Council was generally in agreement that the time had now come for an experiment of this nature and the General Manager undertook to submit more detailed proposals for the consideration of Council at their next meeting. An alternative service over the Kisumu–Yala line would also be considered.

2. The General Manager explained that if the Railway were to undertake a service of this nature, he felt that there should be some indication of the general support of Governments, as such a service would compete to some extent with existing or proposed private enterprise.

1088 **FINANCIAL RESULTS OF WORKING, JANUARY-OCTOBER, 1936. (R.A.C. 6.)**

Council noted the information in the General Manager's memorandum No. E.F. 128/36 with regard to the financial results of working from January to October, 1936.

1089 **EMPIRE EXHIBITION, JOHANNESBURG. (R.A.C. 6.)**

The General Manager explained that a proposal had been received from Mr. Neilson that he should make a tour of the principal cities of South Africa to exhibit the films of East Africa which had been sent down to the Exhibition. He also explained that this would take approximately two months and that it would cost in the neighbourhood of £400–£500, depending upon the charges for transport and hire of halls, etc.

2. It was agreed that this tour would serve a useful purpose and that the necessary arrangements should be made accordingly. The full expenditure should be met in the first instance from K.U.R. & H. Railway funds, but the other Governments concerned and the Tanganyika Railways should be approached to contribute towards some share of the expenditure.

3. The General Manager also stated that a suggestion had been received that the East African Governments should open and maintain a Trade and Information Office in Johannesburg after the closing of the Exhibition. After considerable discussion, it was agreed that if the East African Governments decide to open an office in South Africa, the Railway should provide a Tourist and Travel Section on the lines at present in existence in London.

1090 **RATES REDUCTIONS, 1937. (R.A.C. 6A.)**

Council proceeded to the examination of the proposals submitted in connection with the proposed Rates Reductions to be introduced on the 1st January, 1937.

2. It was pointed out that the item—Corrugated Iron in bulk—involving £6,060, had been included twice in the summary and schedules and that a further sum of £6,060 was, therefore, available for allocation.

3. Council considered the proposals in Appendix "A" and approved all the recommendations contained therein with the following amendments:—

Item 2.

Class 2 to be reduced to Class 3 instead of Class 2 less 20 per cent as originally recommended, in view of the extra £6,000 available, as explained above.

Manures and Fertilizers.

It was agreed that the first proviso regarding the temporary nature of this concession should be omitted.

4. With regard to Appendix "B", the General Manager recommended that the items shown therein should be added to the proposals. This was accepted by Council and Appendix "B" as drafted was agreed to, with the following amendments:—

Items 10, 11 *and* 12.

The rates recommended in these three cases were agreed to for small quantities, with the addition of a Class 10 rate for quantities of 10 tons and over.

On the representation of the Uganda members, the rate for *Seed Cotton* received consideration. The General Manager explained that the cost of moving this commodity, in view of its bulk and of the empty haulage in one direction, was probably much above the average cost as recorded in the Annual Report. In principle, therefore, he could not support the present application.

After full discussion, however, it was agreed that the reduction involved was small and would be of assistance to the industry. It was finally agreed to recommend:—

That a rate of Class 10 for seed cotton packed in bags should be approved.

Miscellaneous.

It was explained that a rate for *Sunflower Seed* was under discussion departmentally and that the Administration had advised the applicants that on present information the revised rate recently quoted was considered satisfactory.

The General Manager stated that the question of the rate on *Grenadilla Juice* for export was receiving departmental consideration.

Council reviewed Appendix "C", containing applications received for rates reductions, but which were not recommended by the Administration. The recommendations on Items 1–20 were agreed to by Council without further comment at the present time.

Items 21–22—Class 9 and 10.

The position with regard to these two classes was explained by the General Manager and Council agreed that consideration of this question should not take priority over other recommendations now under consideration, but that this matter would merit further consideration when additional rates reductions are contemplated.

Item 23—Application for a reduction in the rate on maize for export.

After full consideration of this matter, and bearing in mind the information given to Council by Colonel Griffiths, it was agreed to recommend that the application for a reduction in the rate on maize for export should be declined.

General.

In connection with the rates on *Medicines* for human and veterinary use, it was suggested that the Administration should consider the possibility of tightening up the control over the application of the rates on these two commodities.

With the reductions approved earlier in the meeting, it was estimated that the total amount involved would be approximately £160,000.

Any other business :—

1091 **BUWAYA PIER. (R.A.C. 15[illegible])**

Mr. Folkes drew attention to the position with regard to this pier and the conditions quoted by the Administration, in which it was proposed that the applicants should pay a wharfage charge to cover out-of-pocket costs in connection with the provision of this pier.

The General Manager explained that the applicants themselves had originally suggested such a procedure and that, in view of the fact that full provision had already been made at Kampala for this traffic, he felt that it was wise to levy some charge to cover the cost involved in providing the additional facility.

Council agreed that this question should be included in the agenda for the next meeting.

1092 **DATE OF NEXT MEETING.**

It was agreed that the next meeting of Council should be held in Nairobi during the third week in February, 1937.

Chairman.

APPENDIX I.

CAPACITY OF THE RAILWAY—SEASON 1937.

With reference to Minute No. 1065, it is reported for the information of Council that a meeting between the General Manager and the Superintendent of the Line, Colonel Griffiths and Mr. Tillbrook, representing the maize and cotton seed industries respectively, Colonel Tucker and Mr. Folkes, representing the Railway Council, took place on Monday, the 30th November, when the following points were accepted :—

(1) The export tonnage of cotton seed for 1937 was estimated at 130,000 tons, while it was noted that the season was opening a month earlier than usual.

(2) The tonnage of maize for the relevant export period of 1937 was estimated at 70,000 tons, while the condition of the crop would permit no serious movement before January.

(3) The cotton seed industry expected an increase in shipping freight rates of approximately Sh. 2/50 per ton for all seed put on rail after March 31st.

(4) The maize industry had arranged charters to secure favourable markets involving definite shipments at stated dates, the most important of which were in March and April.

2. After exhaustive discussion, it was agreed that the markets desired by both industries could be secured by the following allocations :—

	Maize Tons	*Cotton Seed Tons*
1936—		
December ...	2,250 ...	2,000
1937—		
January ...	12,250 ...	16,000
February ...	9,400 ...	16,600
March ...	9,400 ...	16,000
April ...	9,700 ...	13,300
May ...	7,000 ...	24,500
June ...	12,000 ...	20,000
July ...	8,000 ...	25,000
	70,000 ...	133,400

3. Much credit is due to the representatives of the two industries concerned for the spirit of accommodation shown during the discussion.

Entebbe,

30th November, 1936.

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL. 19

CAPACITY OF THE RAILWAY - SEASON, 1937.

With reference to Minute No. 1065, it is reported for the information of Council that a meeting between the General Manager and the Superintendent of the Line, Colonel Griffiths and Mr. Tilbrook, representing the maize and cotton seed industries respectively, Colonel Tucker and Mr. Folkes, representing the Railway Council, took place on Monday, the 30th November, when the following points were accepted:-

(1) The export tonnage of cotton seed for 1937 was estimated at 130,000 tons, while it was noted that the season was opening a month earlier than usual.

(2) The tonnage of maize for the relevant export period of 1937 was estimated at 70,000 tons, while the condition of the crop would permit no serious movement before January.

(3) The cotton seed industry expected an increase in shipping freight rates of approximately Shs. 2/50 per ton for all seed put on rail after March 31st.

(4) The maize industry had arranged charters to secure favourable markets involving definite shipments at stated dates, the most important of which were in March and April.

2. After exhaustive discussion, it was agreed that the markets desired by both industries could be secured by the following allocations:-

		MAIZE Tons	COTTON SEED Tons
December	1936	2,250	2,000
January	1937	12,250	16,000
February	1937	9,400	16,600
March	1937	9,400	16,000
April	1937	9,700	13,300
May	1937	7,000	24,500
June	1937	12,000	20,000
July	1937	8,000	25,000
		70,000	133,400

3. Much credit is due to the representatives of the two industries concerned for the spirit of accommodation shown during the discussion.

ENTEBBE.

30th November, 1936.

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL.

EXPORT MAIZE RATE.

Attached, for Council's information, is a copy of a letter received from the Kenya Farmers' Association, asking for the re-introduction of the old export maize rate of Shs. 11/20 per ton on the expiry of the present temporary rebate on export maize.

2. Dealing with the case as submitted by the Association, Council will recall that the rate of Shs. 13/50 was introduced after protracted investigation and on the understanding that the traffic would be so regulated as to avoid costly peak movements, i.e. what have been called "Z" rate conditions. Restricted movement was imposed with the object of keeping out-of-pocket costs below the rate charged. Moreover, the rate of Shs. 13/50 per ton was based on 1930 costs, calculated with regard to the conditions applying to the particular traffic. (In this connection please see memorandum entitled "Railway Rates Policy", dated July 1931 and submitted to Council at their meeting of September 23rd, 1931). The fact that our average ordinary working costs have fallen from 5.743 cents in 1930 to 4.402 cents in 1935 goes to prove that the economy steps taken, coupled with almost complete elimination of the expensive maize peak have, with the increase in general traffic, achieved the desired result. At the time, the Shs. 13/50 rate was introduced, it, with Branch Line charges, only just covered out-of-pocket costs for the average haul then in force. It would be most unfortunate if any step were now taken again to reduce the maize rate to an uneconomic level and thereby partially to destroy that which has been achieved. (In this connection, please refer to the memorandum on "Railway Rates Policy in its Relation to the Quota System", dated June, 1936, submitted to Council at their meeting of July, 1936).

3. The maize industry has been relieved of the Branch Line charge and has moreover also benefited considerably from the other general rates reductions introduced at the end of 1935. The Kenya Farmers' Association, in paragraph 3 of their letter, make a particular point of motor haulage. In this connection, it should be borne in mind that the Administration only recently reduced the rates for petrol and diesel fuel; (haulage charge on returning empty vehicles).

4. Also, it must not be overlooked that the reduction in ordinary working costs per total freight ton mile, amounting to 1.341 cents, is partially counterbalanced by an increase in Loan costs. On the question of average haul, figures show that, in the case of maize, this has increased from 550 miles in 1930, on which the Shs. 13/50 rate was based, to 572 miles in 1935 and for the first quarter of 1936 to 583 miles, i.e. the Administration is performing more work for the same rate. For example: allowing for the Branch Line charges, the rate per ton averaged approximately Shs. 15/-

for a haul of 550 miles, or 2.7 cents per ton mile. The present charge of Shs. 13/50, ignoring other reductions, for an average haul of 583 miles, gives a rate of 2.3 cents per ton mile, showing a handsome reduction on the old rate.

5. So far as storage is concerned, it is not the approved policy of the Administration to provide free storage for export traffic and the expense which the Kenya Farmers' Association claim that the maize industry has been put to in this respect might be equally well advanced by any other industry or customer of the Administration. The expenditure of capital to provide suitable transit storage accommodation has undoubtedly saved the maize industry storage costs in other directions (for instance at Kilindini), and has avoided other losses due to deterioration, etc. It is reasonable to assume that the expenditure would not have been incurred if this were not so.

6. Furthermore, it also may be assumed that our quota system tends to assist the maize industry, as it does the cotton seed industry, in arranging shipment, because the industry, being aware of the tonnage which can be accumulated at the Coast during any given period, is able to conclude with confidence charters or other shipping arrangements well in advance of requirements.

7. Dealing with the final paragraph of the application, the following comments are made:-

(a) This is a normal business risk and not one that should influence a Transport Administration in fixing its rate structure; otherwise, rates would fluctuate every time the price of any bulk commodity falls or rises, thus introducing a very undesirable element into marketing conditions.

(b) The advantage derived by the Port from the considerable export of maize is admitted, but the question of reducing Port charges is one which will be considered on its merits and should not enter into consideration of the Railway rate.

(c) Maize alone has not contributed to the fall in costs.

(d) The argument advanced in this case cannot possibly be accepted as justifying differential treatment in favour of the maize industry.

8. Based on 1935 export tonnage, a reduction in the rate for maize from Shs. 13/50 to Shs. 11/20 per ton would involve approximately £7,500 per annum. While it is a fact that the Railway working expenditure has beem materially reduced, as already explained, it must be borne in mind that the industry has already been granted substantial relief, both directly and indirectly, by the reduction in rates since December last and will participate, if only indirectly, in the further general rates reductions to be considered by Council at this meeting. Moreover, the overseas maize

prices have during recent months risen considerably and the present economic position of the industry must have improved correspondingly.

9. Any reduction in the maize rate must in equity involve a similar reduction in the rate on cotton seed and it is considered that such sums as can be made available for rates reductions can be more fairly allocated in other directions.

RECOMMENDATION:

Council is unable to recommend at the present time the re-introduction of a rate of Shs. 11/20 per ton for the conveyance of export maize.

Ref. No. A.4/224.

GENERAL MANAGER'S OFFICE,
NAIROBI.

9th October, 1936.

THE KENYA FARMERS' ASSOCIATION, LTD.

P.O. BOX NO. 35,
NAKURU.

23rd September, 1936.

General Sir Godfrey Rhodes,
General Manager,
Kenya / Uganda Railways & Harbours,
NAIROBI.

Dear Sir,

The Railway Council a year ago carefully reviewed the position with regard to the users of the Railway and decided to make certain permanent freight reductions. At the same time realising the difficult position facing the maize grower and the necessity in the general interests of the Colony of Kenya and the Protectorate of Uganda of a substantial reduction in the marketing costs of maize, in some measure to off-set the unprecedented fall in world maize values, the Railway Council reduced the railage on maize for export to Shs. 8/50 per ton, this rate to remain in force until 1st December, 1936.

The Kenya Government decided to assist the maize industry by such a subsidy as would bring the price to the grower up to Shs. 4/50 per bag and the sum of £12,000 was voted for this purpose. The world price fell to an even lower figure than was anticipated and the Kenya Government vote will not result in the grower getting the anticipated Shs. 4/50; he will get about Shs. 4/- per bag.

During the year the users of maize within the Colony of Kenya and Protectorate of Uganda have derived a very material benefit in purchasing maize at a very low figure, a figure below the cost of production. Much Kenya maize has been railed to Uganda at the low figure to the very material advantage of the sugar estates, gold mines and administration. The export of maize has been maintained with the result that the port has derived considerable benefit both from the actual maize passing through it and the natural resulting returning traffic, which is appreciable, especially when the expenditure in motor haulage of something like 80,000 tons of maize to the Railway is taken into consideration. There would appear no doubt that the general public of Kenya and Uganda have derived a benefit from the low internal maize prices at the expense of the maize grower, who has been producing at a loss.

The Railway Council at its next meeting will have to consider again the question of the maize rate. At the moment the price of maize is higher than it has been for some time, but the position may only be temporary, and not continue throughout the maize season. In fact the value of Argentine maize has fallen from Shs. 25/- to Shs. 21/10½d. per quarter on the world market and the future values are at an even lower rate.

24

The Administration introduced a new rate on maize for export increasing the rate from Shs.11/20 to Shs.13/50 per ton. This increase was considered necessary as a result of the losses incurred by the Railway and after taking into consideration the actual cost of movement at that time, together with the increase in the maize rate, a policy of restricted movement was introduced to avoid high peak traffic periods. The decision of the Railway Council was based, we understand, on the 1931 working cost figures. The average cost per total freight ton mile for the past five years is as follows:-

1931	6.140
1932	5.440
1933	4.381
1934	4.621
1935	4.402

It must be agreed that the reduction in working costs is appreciable and the Administration is to be congratulated on this achievement. It is difficult to estimate the extent to which the restriction in movement in the case of maize and cotton seed and the consequent flattening of the peak traffic curve has contributed to this reduction, but it must have had some effect. However, there has been a reduction in working costs of 1/738 per ton mile since the figures were before the Council on which the Shs.13/50 rate was based and when it is realised that the average maize railment is of something like 550 miles, it must be admitted that there is a substantial reduction in the cost of moving maize for export since the Advisory Board fixed the Shs.13/50 rate. The great bulk of the maize exported is European grown and handled by the Kenya Farmers' Association. The Railway policy of restricted movement has imposed a heavy burden on the exporters of maize, who have been compelled to expend large sums of money in providing storage at Railway Stations and sidings. This storage is generally provided by the Railway Administration. Here, however, we have to purchase plots from the Railway, pay an annual plot rent and erect stores at our own expense. The interest on capital, depreciation, insurance and maintenance of these buildings is a charge borne by the maize producer and may fairly be considered part of the railage charge.

This Association, during the past three years has had to spend an additional £4,000 on storage accommodation at Railway sidings, and at present has godowns at Kitale, Glanvills Halt, Hoey's Bridge, Matunda, Turbo, Lugari, Eldoret, Sabatia, Rongai, Milton Siding, Ol Punyata, Gilgil, Nakuru, Molo, Naro Moru, Moshi and Nairobi, and rents godowns at Karatina, Fort Hal , Maragua and Thika. All these buildings and their staffing add considerably to the actual cost of movement of maize for export and locks up capital of the Association to the extent of over £16,000, as well as bringing some revenue to the Railway from rents, etc.

In view of these facts:-

(a) that the maize grower has lost considerably in selling in the past year at a loss,

(b) the advantage derived by the port from the considerable export of maize during the past season,

(c) that the cost of movement on the Railway has fallen since the freight rate was increased,

(d) that the maize industry has been forced to invest large sums in providing storage at many points on the line in order to be able to move the maize, which never enters Railway stores,

this Association, representing the maize growers will be grateful if you will submit this case to the Railway Council and request them when the question of the maize rate is under consideration to re-introduce for the time being the maize export rate of Shs. 11/20 per ton.

Yours faithfully,

(Signed) G.W.C. GRIFFITHS.

General Manager.

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL.

EXPERIMENTAL RAIL CAR SERVICE.

In Minute No. 1071 of the meeting of Council held on 21st/22nd October, 1936, Council asked that consideration should now be given to the introduction of an experimental Rail Car Service over some suitable section of the line.

2. This is a matter which has received close study over a period of years and developments in Rail Car design and efficiency have been carefully watched. While instructed opinion, notably in South Africa, is not fully satisfied as regards the most efficient mechanical design, it is an undoubted fact that a large number of vehicles are running successfully in many parts of the world and reasonable reliability can now be assured.

3. Apart from the mechanical difficulties, other factors, such as -

(i) Lack of sufficient population within reasonable distance of the Railway.

(ii) Lack of direct rail access to centres of population, villages, etc.

(iii) Necessity for avoiding interference with more important and more lucrative goods Services, which cannot be overcome without expenditure.

N.B. This applies principally to main line projects.

(iv) Difficulty of ensuring a reliable passenger service, owing to a preponderance of goods trains which cannot run to an exact schedule.

(v) Limited number of services that can be provided at reasonable, the severity of curves and grades necessitating comparatively slow schedules.

(vi) Lack of funds has also precluded the adoption of experimental services of this type, which might prove unsuccessful,

have hitherto militated against the successful operation of Rail Car Services. The financial position has, however, now sufficiently improved to remove this particular difficulty.

4. Mr. Dalton, Assistant Superintendent of the Line, who has had experience with this type of service in Tanganyika, has submitted a report, which is attached hereto. The following comments on the report are submitted for consideration:-

(a) <u>Selection of Route:</u>

Various sections of the Railway have been examined in this connection during recent years, notably Mombasa-Mazeras, Nairobi-Thika-Fort Hall, Yala Branch, Thomson's Falls Branch and the Jinja-Kampala section. After full consideration, it is felt that the Jinja-Kampala section is the most suitable one for an experiment of this nature, chiefly on account of the large native population in that service has several obvious advantages over a rail service. But there are also disadvantages -

(a) Lack of a reguler time-table.

(b) Lack of any statutory obligation to carry the passenger to his destination - it has been stated that passengers have, on occasion, been dumped at the side of the road (with a refund of part fare) because a larger batch of passengers had presented themselves bound for the starting point.

(c) Safety (or, rather, the lack of it).

(d) Discomfort.

These are four advantages of considerable importance which the rail car has to offset against the greater flexibility of its competitor - regularity of service, reliability, safety and comfort.

The question of whether the native will or will not be attracted from the road is not one which is possible solution by an scientific process. It can only be solved by experiment. Experience in other countries, and particularly in Tanganyika, goes to show that it is an experiment worth making. It is also probable that competition will not be entirely uncontrolled. Government's anxiety at the increasing number of road accidents is apparent, and steps will undoubtedly be taken to remove the more irresponsible and impecunious 'bus owners from the road and to improve the standard of service of 'bus design and of maintenance, all of which cannot fail to have an influence on the level of fares charged.

Type of Rail-car:

The choice lies between a steam operated unit such as the Sentinel which is in use in Tanganyika, or an internal combustion engine of the diesel or petrol-driven type. The steam unit has the advantage of being known to the staff and is very reliable on the road. Its disadvantages, however, are lack of flexibility - length of time taken to light up and place in service, time spent in washing out the boiler.

Of the two other types, we have to balance a petrol-engined car of relatively low first cost against a car which calls for a greater capital outlay but with a much lower operating cost. This question has been discussed at length with the Chief Mechanical Engineer and his advisers, who are unanimously in favour of a diesel-engined car, because of its greater reliability, its reserve of power, its longer life, and, of course, its lower running costs. They are against, too, any lightly constructed chassis and coachwork which, though of initial low cost, may prove to be false economy in the long run, and which are not likely to give that comfort and steadiness on the road which is possible with a more expensive and solidly built car. The diesel car would also have the advantage of a greater range, and, if not successful in one section, could be tried out in others.

above, no material financial benefits are likely to accrue to the Administration. Further, it must not be overlooked that the Railway was built primarily for the carriage of goods and if the tonnage passing between any two points increases to a large extent, the operation of a Rail Car Service, as already explained, must be attended with ever increasing operating expenditure, owing to the need for additional crossing stations, etc. It will be realised that any Rail Car Service, however well patronised, is a nett revenue earning unit of low capacity as compared with a freight train, even after making allowance for its shorter occupation of the track and more economical running costs. It follows from these considerations that, particularly on main line sections, the time may come when the Rail Car Service would have to be withdrawn to accommodate increased goods traffic, or, alternatively, the track capacity would have to be increased by the multiplication of crossing stations.

For consideration by Council.

Ref. No. A. 7/337/41.

GENERAL MANAGER'S OFFICE,
NAIROBI.

25th November, 1936.

16th November, 1936.

MEMORANDUM ON RAIL CARS.

Introductory.

The value of rail cars as a factor in combating road competition, and as a means of providing a convenient passenger operating unit of low running costs, is becoming more and more recognised, and almost every railway system in the world is endevouring, to a greater or less extent, to substitute, or to augment, certain types of steam train services with a unit which can provide the faster and more frequent services which are imperative nowadays if passenger traffic is to be attracted back to the railroad. Out of this need has been evolved the modern rail car - whether steam, diesel or petrol driver - the value of which has been amply demonstrated in one country after another.

I will not refer here to the remarkable development of rail car services which has taken place in Europe and America, conditions being in no way analogous to those in a tropical Colony. I might refer, however, to the Egyptian Delta Railways, on which the purchase of one rail car in 1924 led to a fleet of fifty being built up in the course of the following eight years, and that Company is satisfied it has successfully met the challenge of motor transport by this means, with reduced operating costs. It might also be stated that among the steps taken by the Indian Railway systems to conserve their passenger traffic, the use of rail cars finds a prominent place; and, to move nearer home, a rail car service has been successfully operated between Tanga, Korogwe and Mombo on the Tanganyika Railways for the past few years. This service is operating in an area most vulnerable to road competition, which had made deep inroads into the revenue of the railway, and from the outset it attested its ability - even with slightly higher faras - to attract passengers. The decline in passenger-revenue was checked, an immediate upward trend was apparent and the cars are now established on a prosperous financial basis. Their popularity with the native is beyond doubt.

Possibilities on the K.U.R.

Examining the question as it presents itself on the Kenya and Uganda Railways, it is evident that two main conditions are essential for a successful exploitation of the rail car - density of population and convenience of the railway and its stations to the main villages and centres of population. Apart from the Mombasa-Mazeras section (where the problem is of a special nature) these conditions, in my view, are best fulfilled in the section Kampala-Jinja. Between these two towns there is a continuous stream of passenger traffic, the native is relatively prosperous, and the whole area is thickly populated. It has been estimated that well over 150,000 people live north and south of the railway.

The travelling needs of the people are at present well served by a first-class road along which runs a liberal 'bus service. It may be stated at once that a good 'bus neighbourhood and because the bulk of the population lives within reasonable reach of the Railway alignment.

(b) Type of Rail Car:

It is agreed that the diesel-engined type car recommended in the report is likely to be the most suitable for our conditions. It also is agreed that two classes only should be provided. If further classes are attempted, it will lead to additional cost and much waste of space.

(c) Service:

The projected service of only three trips in each direction during daylight hours is the maximum that can be scheduled, even with the opening of the three additional crossing stations which will be necessary. This illustrates clearly one of the difficulties which we have to face with a single line. From the standpoint of the public, the chief advantage of rail car services lies in the frequency of the service provided. It is questionable whether a limited service of the nature possible in this case is likely to be attractive or useful, but this can only be established by experience.

(d) Fares:

The suggested fares are lower than the new standard fares, which will be introduced on the 1st January next. The reason for quoting lower fares is to approach as near as possible to the fares charged by the road services. The introduction of the lower fares for the Rail Car service may eventually force down the ordinary fares in this section to the same level.

(e) Financial Aspect:

This will require further detailed examination before definite figures can be accepted. It is obvious, of course, that there will not be any large increase in Nett Revenue Account, but the object of the experiment is to provide a facility that will be of benefit to the general public, while not involving the Administration in actual loss. If such a service is adopted, it is not considered that the Railway Administration should claim particular protection against road competition, but it is assumed that Government will see that legislation on the lines recommended in paragraph 24 of the Report of the Road Accident Committee of Uganda, dated December, 1935, will be enacted. As the suggested service is in the nature of an experiment only, it can be undertaken at the present time only because our finances are in a sound position.

The two most serious handicaps to be encountered are:-

(i) The more frequent and convenient service that can be provided by road;

(ii) The fact that centres of population generally are nearer to the road than to the Railway.

(f) Conclusion:

This question is submitted to Council for consideration. It is believed that the time has arrived for a limited experiment of this nature, although, as has been explained

I am, therefore, of the opinion that we should select a diesel-engined rail car, capable of maintaining at least 25 miles per hour on a 2% grade and up to 40 miles per hour on the level (speed limit 35 m.p.h.), with accommodation for 50 to 55 third-class passengers and 6 to 8 upper-class. Steadiness and smooth riding would be essential.

Three units of this type would be necessary to open a service of the nature contemplated.

Service.

As will be seen from the financial statement, while the fixed annual charges will be heavy, running costs will be low. It behoves us, therefore, to schedule as substantial a mileage as possible. The time table which would eventually be decided on would be the result of a close analysis of the trend of native traffic. For the present, however, I assume a service of three trips a day in each direction, something on these lines[x] -

DOWN				UP			
Kampala (depart)	8.00	11.30	16.20	Jinja (depart)	8.00	12.20	16.45
Jinja (arrive)	10.26	14.10	18.56	Kampala (arrive)	10.48	14.46	19.16

[x]Subject to the Chief Engineer's agreement on the following basis - 35 m.p.h. on level : 1.3 to 1.7% 30 m.p.h. : 1.8 to 2.0% 25 m.p.h.

Any extension of this service which is possible will increase profits, for the cost of individual trips will be very small.

Fares:

Fares will have to be on a competitive basis. These are what I propose -

Third Class.

Kampala	Kampala								
Mukono	(16)	-/60	Mukono						
Kawolo	(31)	1/20	(15)	-/60	Kawolo				
Lubanyi	(39)	1/50	(23)	-/90	(8)	-/30	Lubanyi		
Jinja	(58)	2/10	(42)	1/60	(27)	1/00	(19)	-/70	Jinja.

Upper Class.

Kampala	Kampala								
Mukono	(16)	2/20	Mukono						
Kawolo	(31)	4/20	(15)	2/10	Kawolo				
Lunanyi	(39)	5/30	(23)	3/20	(8)	1/10	Lubanyi		
Jinja	(58)	7/90	(42)	5/80	(27)	3/70	(19)	2/90	Jinja

Bracketed figures = miles

It will be appreciated that if there was any regular passenger traffic between Jinja and Kampala on the ordinary trains at existing fares it would promptly be attracted to the lower and speedier rail car service. As, however, this traffic is a negligible quantity, the point does not merit consideration.

Financial Statement:

In order to provide the additional service, three stations, at present closed, will have to be re-opened, and as there are no buildings or offices at the sites, the capital expenditure has to be increased to make provision for these.

The cost of the unit is not definitely known, but information received from the local agents of Armstrong-Whitworth gives ground for believing that three cars of the type required could be purchased at a cost of £7,000 each, assembled Nairobi. On this basis the financial statement would be:-

Capital Cost:

	£
Cost of Cars at £7,000	21,000
Cost of fuelling equipment	100
Cost of equipping 3 stations at £750	2,250
Total Capital Expenditure	23,350

Fixed Charges:

	£
Interest Charges at 6%	1,401
Depreciation on cars (15 years' life)	1,400
Depreciation on fuelling equipment (20 years life)	5
Depreciation on station buildings (30 years' life)	75
Wages of extra station staff (£114 per station)	342
Total fixed annual charges	3,223

Running Costs:

	£
Mileage per annum 124,830	
Fuel Costs (@ 8 miles per gallon & 42 cents per gallon)	328
Lubricating Oil (@ 500 " " & Shs.3/84 " "	48
Maintenance (@ .785 d. per mile)	408
Wages of Running Staff	400
Total Running Costs	1,184
TOTAL ANNUAL COSTS	£4,407

Revenue:

It will be seen from the foregoing that the total annual charges which have to be met amount to £4,407. The cars will do 2,190 trips in a year, so that takings amounting only to Shs. 40.25 per trip will suffice to make the venture a success. A smaller and poorer population on the Tanga Line produced, in 1935, an average of Shs. 76.33 per trip over 1353 trips. That figure is being considerably increased during the present year. During 1933 some 170 people travelled daily between Kampala and Jinja according to a Police Report. Bearing in mind the great increase in prosperity since that year it does not seem unreasonable to estimate for a daily movement of 250 people, and this might be expected to increase with the inducement to travel provided by the service now under discussion.

If 20 to 25 natives use the cars per trip, of whom 15 travel the whole journey, with, say, an average of .66 upper class passengers per trip, a revenue of (approximately) Shs. 43/00 would accrue and I do not think it is unreasonable to expect an average earning of at least Shs. 45/00 per trip.

General:

I do not pretend that the rail car scheme thus outlined will result at first, even if moderately successful, in any striking contribution to net revenue. At the best, a few thousand pounds is all that can be hoped for. The experience gained, however, will be invaluable and the publicity value is not to be ignored. It is not improbable, too, in the course of time, with advancing prosperity amongst the natives, that a much wider field of revenue may be opened up, which can only be tapped and developed by experiment along the lines now suggested.

(Signed) A. DALTON

ASSISTANT SUPERINTENDENT OF THE LINE.

34 5

KENYA AND UGANDA RAILWAYS AND HARBOURS.

P. O. Box 601.
Telegrams:—HIGHCOMA, NAIROBI.

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

No. T/C/A.3.

14th November, 1936.

CONFIDENTIAL

The Secretary to the High Commissioner for Transport, Kenya-Uganda, presents his compliments to the Under Secretary of State for the Colonial, and with reference to the High Commissioner's Transport Confidential despatch dated 28th July has the honour to enclose two copies of the printed minutes of the Railway Advisory Council meeting held on October 21st - 22nd, 1936, together with copies of the following memoranda:-

3

38179/27/36 (a) Capacity of the Railway - Season 1937.

38179/16/36 (b) Rates Reductions - 1937.

(c) Cotton Seed Industry.

38179/23/37 (d) Export Maize Rate

(e) Financial Results of Working, January - August, 1936.

42029/5/36 (f) Tanganyika Railways - Position on Lake Victoria and at Moshi.

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL.

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		757,024
Balance		1,026,749
Contributions to Renewals Fund		223,245
Balance		803,504
	£	
Loan Fund Charges	418,813	
Write-off of Dead Assets	16,243	
Rebate on Maize	16,991	
	452,047	
LESS:		
Miscellaneous Receipts (Net Revenue Account)	37,378	414,669
Balance (Surplus)		388,835
Harbours (Surplus)		43,031
Total Surplus - January-August, 1936		£431,866

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.

Copy regd 42029/5/36

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL.

TANGANYIKA RAILWAYS - POSITION ON LAKE VICTORIA AND AT MOSHI.

Council is referred to the General Manager's memorandum No. A.4/546/3, dated 13th July, 1933, considered at the meeting of Council held in August, 1933, at which the following Minute No. 829 was recorded:-

> "Council were of opinion that no case has been established justifying the consideration of the suggestion to share profits with the Tanganyika Railways for traffic on Lake Victoria."

2. Reference to the memorandum in question will show that a payment to the Tanganyika Government, with the object of securing "their goodwill and co-operation in the development of the latent potentialities of the southern end of Lake Victoria" was suggested to Council on the basis of sharing profits on all new import and export traffic to and from the Tanganyika ports on the Lake exclusive of the Kagera River service. The Minute quoted above turned down this recommendation.

3. This question, including the position at Moshi, was discussed by the Governors' Conference at their meeting held in October, 1933, when it was recorded, so far as the Lake Victoria position was concerned, that no change in the present position should be brought about, but that, subject to any recommendations of the Transport Policy Board, the whole question might again be re-opened when the traffic from Tanganyika ports again reached the amount carried in the year preceding the opening of the Mwanza Line. The attached table brings up to date the table circulated with the memorandum of July, 1933. (Appendix I).

4. Examination of this table will make it clear that the traffic from Tanganyika ports on Lake Victoria, (exclusive of the Kagera River service), in 1935 exceeded the traffic dealt with in 1928, the year in which the Mwanza Line was opened. In these circumstances, the desirability of an equitable solution of the problem is being pressed strongly in Tanganyika and the question has been receiving careful consideration by the two Railway Administrations. Furthermore, this matter has been referred to Brigadier General Sir Osborne Mance as one of the points upon which his advice will be required. Before Sir Osborne Mance's departure from the Colony, the two General Managers were able to hand to him an agreed proposal which they intended to submit to the High Commissioner and to the Tanganyika Government through the two Railway Councils. Both General Managers are agreed that the time has come for a more equitable division of the traffic potentialities of this area, allowing both Administrations credit for a share in its development.

5. It is possible to approach this question from two points of view:-

(i) The division of the available tonnage between the two Administrations on an agreed basis;

or

(ii) Leaving the tonnage available to take its own course, but dividing the nett profits between the two Administrations on an agreed basis.

The first alternative follows to some extent the solution recommended by Mr. Gibb, who further proposed that a "fine" should be paid by the K.U.R. & H. if it obtained more than its correct share of the total traffic. It is, however, considered that any attempt to force traffic into certain channels and routes by manipulation of rates or by other means is unsound and not in the general interests of the two territories, nor is it possible to define arbitrarily any definite proportion of the total traffic that should pass over either route. The routing of traffic is a matter which frequently depends largely upon other economic factors, entirely outside the control of the Transport Administrations.

6. It is, therefore, considered that a more sound and equitable system would be to equalise the rates from the ports on Lake Victoria within the Tanganyika boundary to either coastal port, leaving the traffic itself quite free to choose whichever route is found most suitable and economic. On this assumption, it is recommended that the nett profits obtained by the two Administrations from such traffic as passes over their systems to the Coast should be divided on an agreed ratio. The acceptance of equal rates raises the question whether the present rates in force, which, as members will remember, are based on the agreed mileage at Mwanza, should be maintained, or whether an increase in these rates should be brought about based on the additional mileage beyond Mwanza.

7. It is considered, however, that it would be unfair to penalise producers in the areas affected by putting up rates and that, therefore, the rates to be charged to Dar es Salaam should be the rates at present in force to Kilindini. The adoption of this principle will create certain anomalies on the Tanganyika system, but these are of a minor nature and cannot be avoided.

8. As regards the calculation of the nett profits, it is considered that 65% of the gross revenue is likely to represent a fair operating cost, including depreciation, for both Railways systems for some years to come. It is true that on the Tanganyika system the present ratio is nearer 70%, while on the K.U.R. the present ratio is nearer 60%, but the tendency on the Tanganyika system will be to go down as traffic increases, while the tendency on the K.U.R., owing to reductions in rates, will be to go up. 65%, therefore, is considered to be a fair ratio for both Administrations in the present circumstances. It is recommended that this ratio should be adopted in assessing the nett profits resulting from traffic on the southern section of the Lake.

9. As regards the proportion in which the nett profits should be divided, it is suggested that a fair valuation of the respective claims of the two Administrations would give 70% to the K.U.R. for all traffic, except Mwanza-Dar es Salaam traffic, on account of its priority in the field, and of the capital expenditure which it has incurred, and 30% to the Tanganyika system on account of its claim to a share of the traffic arising within its borders and on account of the capital expenditure involved in the development of the districts concerned and the provision of piers and other facilities. So far as Mwanza-Dar es Salaam traffic is concerned, however, it is considered that the Tanganyika system has a right to a bigger

share of the traffic arising in, or destined to, Mwanza and that, for this reason, the above proportion should be directly reversed, Tanganyika retaining 70% of the nett profits, while allotting to the K.U.R. 30% of the nett profits.

10. It will be seen from this arrangement that the K.U.R. derives a greater share of the profit from Bukoba and other Lake ports to which it may be considered to be justly entitled, while Tanganyika would get a greater share of the profits from the Mwanza area, to which it might justly be considered entitled, in view of the expenditure incurred on development in this area. In this connection, it may be stated that traffic to and from Mwanza has increased rapidly during the past three years and should continue to increase in the future.

11. A memorandum is attached for the information of Council, outlining the arrangements necessary to give effect to the above proposals. (Appendix II).

12. A statement is also attached (Appendix III) showing the financial effect of these arrangements, as nearly as they can be ascertained, based upon traffic as it actually passed in 1935. It will be noted from this statement that on the proposed scheme the K.U.R. would have paid to the Tanganyika system a sum of £6,522. If the principles of a division of profits is admitted, it is considered that this payment is in all respects adequate and fair and that the arrangements suggested are such as might be accepted by both parties for a period of, say, 5 years.

13. As these proposals embody the combined recommendations of the two General Managers, it is hoped that they will be accepted by Council.

MOSHI AREA.

14. The history of the conditions in the Moshi area is somewhat different from the history of the Lake Victoria area, in that equal rates from Moshi to both ports have been in force for some time and an agreement, whereby the K.U.R. pays the Tanganyika Railways for running rights into Moshi and also a payment on branch line principles for traffic arising on the Arusha Branch. The situation at Moshi was also discussed by the Governors' Conference in 1933, when it was agreed that, for the moment at any rate, no change in the position should be made, in any case until such an increase takes place in the volume of trade and subsequent profit on the Voi-Kahe Line as to present a more favourable opportunity for re-consideration.

15. The position at Moshi lends itself to treatment in exactly the same way as has been recommended for Lake Victoria. On the other hand, the arrangements already in force are based on sound principles and are considered to be equitable and fair in existing circumstances.

16. On the agreed basis, payments to the Tanganyika system in 1935 were made as follows:-

	£	£
Running Rights Moshi - Coast and vice versa	1020	
" " Arusha Branch - Coast and vice versa	464	1484
Bonus mileage Arusha Branch - Coast and vice versa		3574
		£5058

Both General Managers agree that no change should be made at the present time and it is hoped that this recommendation will be supported by Council.

17. The recommendations contained in this memorandum, which, as explained, have been agreed to by the two General Managers for submission to their respective authorities, have also been communicated to Sir Osborne Mance, who will, no doubt, deal with them in submitting his report. It is felt, however, that, in the interests of harmonious working between the two territories, a solution of this problem should be no longer delayed and that, provided both territories accept the recommendations of the General Manager, the proposal should be introduced with effect from January 1st, 1937. The working of these proposals can be watched closely during 1937 and, if necessary, modified where found advisable in the light of any comments which may be received from Sir Osborne Mance.

Ref. No. A.4/546/3.

GENERAL MANAGER'S OFFICE,
NAIROBI.

6th October, 1936.

APPENDIX I.

40

Tanganyika Ports.	1905-6 Tons.	1912-13 Tons.	1924 Tons.	1925 Tons.	1926 Tons.	1927 Tons.	1928 Tons.	1929 Tons.	1930 Tons.	1931 Tons.	1932 Tons.	1933 Tons.	1934 Tons.	1935 Tons.
Mwanza	3,178	9,825	15,704	14,910	21,626	17,324	12,738	9,840	13,563	9,104	6,909	8,284	9,576	11,587
Bukoba	804	5,363	6,564	6,966	7,872	7,481	13,264	11,797	11,492	9,684	9,865	11,028	13,599	14,650
Musoma			1,449	1,244	2,731	2,011	1,298	1,929	1,450	1,327	1,501	2,091	1,814	2,355
Shirati														
Nasso	98	2,131				100	2	234	171	65	12	113	545	59
Nyamerimbe														
	4,080	17,319	23,717	23,1[illegible]0	32,229	26,916	27,302	23,800	26,676	20,180	18,287	21,516	25,334	28,651

APPENDIX II

LAKE VICTORIA TRAFFIC.

The rates and fares from Tanganyika Ports on Lake Victoria to Dar es Salaam and the rates and fares from the same ports to Mombasa or Kilindini shall be the same, and vice versa from Mombasa or Kilindini and Dar es Salaam to the previously mentioned ports.

For the purpose of this clause the present rates in force will be the rates which will be adopted.

2. The traffic which will be subject to division under this agreement will be:-

(a) All traffic from the Coast to the Tanganyika Ports of Lake Victoria.

(b) All traffic from the Tanganyika Ports on Lake Lake Victoria to the Coast.

(c) All traffic carried over the Kenya and Uganda Railways' system at distribution rates to Tanganyika ports on Lake Victoria.

3. Through booking facilities shall be afforded by both routes.

4. Both Administrations shall take such steps as are necessary and practicable to prevent traffic booked over their services to a point short of the Coast station and re-booked from that point to the Coast or vice versa to obtain a cheaper transport charge than the through rate.

5. Division of Receipts:

(a) When the traffic is carried throughout by the Kenya and Uganda Railways and Harbours.

The Kenya and Uganda Railways shall be entitled to retain from the amount charged a sum based on the percentage that their working expenditure plus depreciation bears to the total revenue i.e. their operating ratio which for the purpose of this agreement shall be deemed to be 65 per cent.

In the case of traffic booked at distribution rates the division of receipts will be based on the throughout rate from the Coast to the Tanganyika Lake ports.

The amount remaining after the deduction of this retention shall be divided between the two Administrations in the following proportions:-

K.U.R. & H. 70%
T.R. & P.S. 30%

(b) When the traffic is carried by the Tanganyika Railways throughout (for the purpose of this agreement Mwanza and Mwanza South will be regarded as one point).

The Tanganyika Railways shall be entitled to retain from the amount charged a sum based on the percentage that their working expenditure plus depreciation bears to the total revenue i.e. their operating ratio which for the purpose of this agreement shall be deemed to be 65%.

The amount remaining after the deduction of the retention shall be divided between the two Administrations in the following proportions:-

T.R. & P.S.	70%
K.U.R. & H.	30%

(c) When the traffic is carried partly by the Kenya and Uganda Railways and partly by the Tanganyika Railways, the following arrangements for the division of receipts shall be made:

The gross revenue shall be divided proportionately to the distance carried by each Administration.

From the proportion relating to the Kenya and Uganda Railways transit the Kenya and Uganda Railways shall be entitled to retain 65% and from the portion relating to the Tanganyika Railways transit the Tanganyika Railways shall be entitled to retain 65%. The remainder in both cases shall be divided in the proportions 70% to the Kenya and Uganda Railways and 30% to the Tanganyika Railways.

(d) Traffic carried between two ports on Lake Victoria both of which are in Tanganyika Territory.

The Kenya and Uganda Railways shall be entitled to retain 65% of the charges, the remainder to be divided in the proportions of 70% to the Kenya and Uganda Railways; 30% to the Tanganyika Railways.

(e) In all the above cases the Mwanza wharfage charge (where it is incurred) will be retained or paid over to the Tanganyika Railways, as the case may be, and will not be subject to division.

6. Passengers, Livestock, Vehicles and Luggage and all other Traffic:

Rates and fares will be the same over both systems in accordance with para. 1 above, and the division of receipts will be subject to the terms of this agreement.

7. The Tanganyika Railways will retain and maintain piers at Tanganyika ports on Lake Victoria.

8. Settlement shall be effected between each Administration on a monthly basis.

9. This agreement shall take effect from January 1st 1937, and shall remain in force for 5 years and will then be reviewed unless the East African Transport Policy Board instructs that an earlier review be undertaken.

APPENDIX III

LAKE VICTORIA TRAFFIC - SUMMARY.

1. **Traffic K.U.R. to Coast Stations and vice versa:**

Including 90 cents per ton loading and off-loading at Kilindini Harbour and Distribution Rates approximately £4,000.

		£	
Total Revenue		118,897	
Less 65%		77,283	
For distribution		41,614	
@ 70% K.U.R.	=	29,130	
@ 30% T.R.	=	12,484	- to K.U.R.

2. **Traffic Dar es Salaam to Mwanza and vice versa:**

Excluding loading and off-loading at Dar es Salaam.

Total Revenue		£50,165	
Less 65%		£3[illegible],607	
For distribution		£17,558	
@ 70% T.R.	=	12,291	
@ 30% K.U.R.	=	5,267	- to K.U.R.

3. **Inter Port Traffic between Tanganyika Ports of Lake Victoria.**

Total Revenue		£1,884	
Less 65%		1,225	
For distribution		659	
@ 70% K.U.R.	=	461	
@ 30% T.R.	=	198	to K.U.R.

4. **Traffic between Dar es Salaam and Tanganyika Ports on Lake Victoria.**

	£	
(a) Charges over Tanganyika Railway	3,906	
Less 65%	2,359	
For distribution	1,367	
@ 70% K.U.R.	957	- to K.U.R.
@ 30% T.R.	410	

(b)	Charges over K.U.R.	£609
	Less 65%	396
	For distribution	213
	@ 70% K.U.R.	149
	@ 30% T.R.	64 - to K.U.R.

NOTE:

By adopting the K.U.R. mileages (distances from Dar-es Salaam made to coincide with those from Mombasa and classifications) the loss to K.U.R. compared with present method is £371 which is not reflected in these figures.

Summary

Position as affecting the K.U.R.

	+ £	- £
1.		12,484
2.	5,267	
3.		198
4.(a)	957	
4.(b)		64
	6,224	12,746

Nett Result K.U.R. - £6,522

47

Railway Advisory Council Minutes

OCTOBER 21 and 22, 1936

NAIROBI
PRINTED BY THE GOVERNMENT PRINTER
1936

48

Kenya and Uganda Railway Advisory Council

FORTY-EIGHTH MEETING

Held in Nairobi on Wednesday and Thursday, October 21st and 22nd, 1936.

Present: THE HON. MR. A. DE V. WADE, C.M.G., O.B.E. (*Chairman*), THE HON. MR. J. E. S. MERRICK, O.B.E., THE HON. MR. G. WALSH, C.B.E., THE HON. MR. A. E. FORREST, LT.-COLONEL THE HON. LORD FRANCIS SCOTT, D.S.O., THE HON. MR. A. S. FOLKES, THE HON. LT.-COL. W. K. TUCKER, C.B.E., THE HON. MR. A. A. BAERLEIN.

In Attendance: THE HON. BRIGADIER-GENERAL SIR G. D. RHODES, C.B.E., D.S.O., General Manager, K.U.R. & H. (throughout the proceedings), L. B. FREESTON, ESQ., O.B.E., Secretary to H.E. the High Commissioner for Transport (throughout the proceedings), F. BROWNING, ESQ., Superintendent of the Line, K.U.R. & H. (during discussion on Abstract "D"), A. DALTON, ESQ., Asst. Superintendent of the Line, K.U.R. & H. (during discussion on Rail Cars), V. LIVERSAGE, ESQ., Agricultural Economist, Kenya Government (during discussion on crop prospects), R. P. WALKER, ESQ., Chief Accountant, K.U.R. & H. (during discussion on Abstract "L"), MISS M. E. DALTON, Secretary to Council (throughout the proceedings).

1054 CONFIRMATION OF MINUTES. (R.A.C. 2A.)

The Minutes of the last 47th Meeting of Council, held in Entebbe on July 1st/2nd, 1936, were confirmed.

Mr. Folkes requested that the words "Mr. Folkes dissented" be added to Minute 1047 3 (i).

1055 REPORT OF ACTION TAKEN ON MINUTES OF LAST MEETING. (R.A.C. 2A.)

Council noted the action taken on the Minutes of the last Meeting, as reported in the memorandum circulated to them.

1056 SPECIAL SHORT PERIOD EXCURSIONS TO AND FROM THE COAST. (R.A.C. 22.)

Council agreed to recommend :—

That the Special Short Period Excursions to and from the Coast, introduced in September 1933, be withdrawn, in view of—

(*a*) the decision of the East African Hotel Keepers' Association not to continue to support the scheme; and

(*b*) the approval given to Council's recommendation (Minute 1018) to extend the period of issue of Seasonal Excursion Tickets to four months (June–September).

1057 DAILY PASSENGER SERVICE TO AND FROM THE COAST. (R.A.C. 22.)

It was felt by members of Council that the provision of a daily service between Nairobi and the Coast would be a great convenience to the travelling public, even though it involved expenditure by the Administration of a further £900 for which little additional revenue would be returned.

Council therefore agreed to recommend :—

That a 2nd class coach be attached to the daily train between Nairobi and Mombasa and that the General Manager should report to Council after six months as to the number of passengers making use of this facility.

Arising out of this, Lord Francis Scott asked that the General Manager would look into the question of quoting an even lower rate for motor cars, as was done in South Africa, where a return ticket from Capetown to Johannesburg (2,000 miles) could be obtained for £5.

1058 SALARIES OF CHIEF MECHANICAL ENGINEER AND ASSISTANT SUPERINTENDENT OF THE LINE. (R.A.C. 19.)

Council noted the information contained in the memorandum No. SPG. 11/1/5, dated 4th August, 1936, conveying to Council the information that the Secretary of State had approved the present salaries of these two officers, subject to re-consideration when the posts again become vacant.

Kenya and Uganda Railway Advisory Council

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Council therefore agreed to recommend :—

That a 2nd class coach be attached to the daily train between Nairobi and Mombasa and that the General Manager should report to Council after six months as to the number of passengers making use of this facility.

Arising out of this, Lord Francis Scott asked that the General Manager would look into the question of quoting an even lower rate for motor cars, as was done in South Africa, where a return ticket from Capetown to Johannesburg (2,000 miles) could be obtained for £5.

1058 SALARIES OF CHIEF MECHANICAL ENGINEER AND ASSISTANT SUPERINTENDENT OF THE LINE. (R.A.C. 19.)

Council noted the information contained in the memorandum No. SPG. 11/1/5, dated 4th August, 1936, conveying to Council the information that the Secretary of State had approved the present salaries of these two officers, subject to re-consideration when the posts again become vacant.

1059 MESSRS. LIEBIG'S APPLICATION. (R.A.C. 6.)

Council noted with approval the information contained in the memorandum No. A.4/765, circulated to them by the General Manager concerning the probable introduction of a new meat canning industry by Messrs. Liebig (Rhodesia) Ltd.

1060 MAGADI SODA COMPANY'S SHIMANZI PREMISES. (R.A.C. 6.)

Council agreed to recommend :—

That, subject to sanction by H. E. the Governor of Kenya and by the Secretary of State and confirmation by Resolution of the Legislative Council of Kenya, a sum of £26,000 be transferred from Item 6A—Branch Lines—of the Kenya (1930) Loan, to Item 7B—Port Improvements—in order to complete the financing of the Port proportion of the capital cost of purchasing the Magadi Soda Company's Shimanzi premises.

1061 RATES. (R.A.C. 11A.)

(a) *Rates for Explosives and Ingredients.*

Council agreed to recommend :—

That no further action be taken by the General Manager until a very much stronger case had been put up by the Rhodesian Explosives Company.

(b) *Rates for Cement and Cement Clinker.*

A preliminary discussion took place with regard to the rate on these two commodities, but the question was deferred until later in the meeting for consideration along with the general question of rates reductions.

(c) *Rates for Aluminium Sheets in 10-ton Lots.*

Council agreed to recommend :—

That further investigations should be made by the General Manager and reported to them at the next meeting of Council.

1062 SUGGESTED INTRODUCTION OF AN INTERMEDIATE CLASS. (R.A.C. 22.)

Council was generally in favour of the adoption of a suggestion made by the General Manager for an experimental alteration in the existing 3rd class coaches, whereby facilities would be provided for the segregation of (a) female passengers and (b) male passengers who might prefer not to be herded with the common crowd.

49

1063 SOUTHERN AFRICA TRANSPORT CONFERENCE. (R.A.C. 23.)

Council noted the report of the Southern Africa Transport Conference submitted by the General Manager in his memorandum No. A.6/281, dated 25th September, 1936.

2. In amplification of the Report, the General Manager stated that the resolutions with regard to uniform gauge and control of competitive transport supported the policy already adopted or recommended in East Africa.

1064 REPORT OF AUDIT OF ACCOUNTS—1935. (R.A.C. 6.)

Council noted the very favourable results of audit, as disclosed in the Auditor's Annual Report on the Accounts for 1935.

1065 CAPACITY OF THE RAILWAY—SEASON 1937. (R.A.C. 25.)

Council noted the position as disclosed in the memorandum No. A.9/563, dated 26th September, 1936, circulated by the General Manager.

2. Mr. Folkes and Colonel Tucker were appointed as the Railway Council representatives to consult with representatives from the industries concerned and with the Administration with regard to the allocation of quotas for the coming year. It was agreed that the General Manager should convene the meeting for a date as early as convenient in November.

1066 POSITION ON LAKE VICTORIA AND AT MOSHI. (R.A.C. 15.)

Council noted the present position with regard to these two matters, as disclosed in the General Manager's memorandum No. A.4/546/3, dated 6th October, 1936.

2. The discussion on this question drew attention to alleged mileage anomalies on Lake Victoria which particularly affected Uganda merchants. It was suggested by Uganda members that a comprehensive review of the position on Lake Victoria in this respect was necessary. In view of the fact that Sir Osborne Mance was dealing with the problem in his report on the Co-ordination of Transport Services in East Africa, Council agreed that no action could be taken to deal with this problem pending full consideration of Sir Osborne Mance's Report.

3. In the meantime, the General Manager was asked to submit a further memorandum, dealing with the question of mileages and certain other transport anomalies to which attention had been drawn.

1067 **WORKS ESTIMATES (R.A.C. 6A.)**

Approval was accorded to the following works, the cost of each of which exceeds £750.

Reg. No.	Nature and Locality of Work	Allocation	Total of Estimate
613	Renewal of one 4-wheeled Brake Van	Capital Account Expenditure, Railway Item 7 of 1936 £350 Renewals Railway Item 7 of 1936 £750	£1,100
614	Cost and Erection of eight Caboose Coaches	Capital Account Expenditure, Railway £2,527 Renewals Railway £11,123	£13,650
615	Renewing bottoms of Lighters, Nos. 9, 10, 11, 13 and 14.	Renewals Marine Item No. 10 of 1936	£900
616	Overhead footbridge and fencing Nairobi Station Yard	Betterment, Capital Railway	£2,000
617	Roads and Drains, Railway Residential Area, Nairobi	Betterment, Railway Item No. 3 of 1936	£4,230

2. Council noted that the sanction of the High Commissioner had been obtained on Certificates of Emergency for the following additional expenditure on works already approved by Council.

	£
(a) Cost and erection of five 120-ton Lighters for Lake Victoria ...	2,480
(b) Two additional Sidings, Tororo ...	1,100
(c) Two 2-operator Electric Welding Plants ...	[illegible]
(d) s.s. "Usoga" ...	751
(e) Three 15-ton unit "Gardner" diesel-engined Albion lorries with three 4-wheeled trailers	5,730
(f) Bukakata Renewals ...	1,035
(g) Carriage and Wagon Wheel Turning Lathe—Nairobi Workshops ...	337
(h) Machinery for new Wheel Shop—Nairobi ...	895
(i) European Railway Club—Nairobi ...	500
(j) Cost and erection of one Oil Fuel Tank Bogie	163
(k) Conversion of four Kerosene Oil Bogie Tank Wagons for the conveyance of Petrol ...	1,010

1068 **SUPPLEMENTARY ESTIMATES—1935 (R.A.C. 6.)**

The Supplementary Estimates for 1935 were approved for submission to the High Commissioner.

1069 **FIRST SUPPLEMENTARY ESTIMATES FOR 1936. (R.A.C. 6.)**

The First Supplementary Estimates for 1936 were approved for submission to the High Commissioner.

2. The General Manager laid on the table, for the information of Council, a revised Schedule of Works covered by the provision made under Abstract [illegible] in the First Supplementary Estimates for 1936.

1070 **FINANCIAL RESULTS OF WORKING—JANUARY-AUGUST, 1936. (R.A.C. 6.)**

Council noted with satisfaction the financial position of the Administration, as disclosed by the results of working from January to August, 1936.

1071 **DRAFT ESTIMATES OF REVENUE AND EXPENDITURE FOR 1937. (R.A.C. 6.)**

Revenue Estimate.

After careful consideration and hearing the views of the Uganda Government with regard to the cotton crop for 1937 and of a representative of the Agricultural Department of Kenya with regard to agriculture in Kenya generally it was agreed to base the estimate of Revenue for 1937 on a cotton crop of 375,000 bales, or an additional 25,000 bales above the estimate prepared by the Administration. As a result, Goods Revenue accruing under this head was increased by £31,820.

2. In addition, Council considered it safe to budget for a further general improvement of £57,628. It was further agreed that, in view of the very favourable crop and price prospects, it would be unnecessary to deduct a sum for contingencies, as suggested in the General Manager's memorandum.

3. These increases would bring the gross Goods Revenue to £2,400,000, in place of the figure of £2,310,552 suggested in the General Manager's memorandum.

4. The Estimates of Revenue under other heads were accepted as printed.

ESTIMATES OF EXPENDITURE.

5. The Estimates of Expenditure, as printed, subject to the necessary alterations consequent upon the increase of traffic referred to above, were accepted, subject to the following remarks :—

ABSTRACT "A".

Approved as printed.

ABSTRACT "B".

Subject to the necessary additions due to increased traffic, approved as printed.

ABSTRACT "C".

The salary of the post of the Chief Mechanical Engineer was approved at £1,500, as shown in the printed Draft Estimates.

The salary of the Works Superintendent, viz., £950 by £50 to £1,150 was approved.

Council also noted the statement of the General Manager that this improvement in salary will not lead to anomalies in other departments or other consequential alterations.

Abstract "C" was approved as printed.

ABSTRACT "D".

The salary of the Assistant Superintendent of the Line was approved at £1,250, as printed in the Draft Estimates.

Abstract "D" was approved as printed.

During the discussion of this Abstract, at the suggestion of the General Manager, Mr. Dalton was invited to attend Council to give details of his experience in Tanganyika with Rail Cars and to explain his views as to their possible utilization on the Kenya–Uganda system. The General Manager agreed to submit a memorandum to the next meeting of Council, outlining the position and submitting recommendations for an experimental service in the most favourable locality that can be found.

Subject to such additions as will be necessary due to the increased traffic provision, Abstract "D" was approved as printed.

ABSTRACT "E".

Under the head "Publicity", Council noted the recommendation of the General Manager that provision should be made in London for the exhibition of such publicity matter as may be available after the close of the British Empire Exhibition in Johannesburg and approved of an expenditure of £250 under this head, of which £100 would be recurrent. In this connection, while it was agreed that the Railway Administration should take the initiative with regard to the installation of this form of publicity, it was agreed that the question of contributions from other territories should be discussed during the coming year.

Subject to this addition, Abstract "E" was approved as printed.

ABSTRACT "F".

Was approved as printed.

ABSTRACT "G".

Was approved as printed.

ABSTRACT "J".

Was approved as printed in the revised Schedule submitted with Supplementary Memorandum on the Estimates for 1937.

ABSTRACT "K".

Was deferred for consideration after the question of rates reductions had been considered.

APPENDIX I.

Was approved, subject to such amendments as would be necessary resulting from the alteration in the Revenue figures and the amount allocated for rates reductions.

APPENDIX II.
APPENDIX IV.
APPENDIX V.
APPENDIX VI.
APPENDIX VII.
APPENDIX VIII.

Approved as printed.

ABSTRACT "L".

Was approved as printed.

In connection with this Abstract, the General Manager, laid on the table for the information of Council a Schedule, showing the individual works included in the Renewals and Betterment programmes for 1937, as summarized in this Abstract.

Before dealing with the Revenue Account and the Net Revenue Account, Council considered the question of rates reductions, with particular reference to the General Manager's memorandum No. A.4/700, dated 10th October, 1936.

A general discussion took place with regard to the amount at which the Standard Goods Revenue could now be fixed, taking into consideration the general development in both Colonies. The Treasurer of Uganda stated that for taxation considerations, he would assess the standard cotton crop in Uganda at approximately 320,000 bales. It was, therefore, agreed by Council to accept the figure of 325,000 bales as a fair figure at the present time for the cotton crop in both territories.

The General Manager explained that his estimate of standard revenue had been based on 280,000 bales and that the consequential increase in standard revenue on this account of £45,000 could be accepted.

With regard to coffee, it was agreed that the standard tonnage could be increased by 4,000 tons, with an additional revenue to the Administration of £10,000.

It was agreed that the standard tonnage for sisal could be increased by 6,000 tons, with an improvement in revenue of £5,000.

The above improvements total £60,000, to which it was considered a further £40,000 could be added for other all-round improvements in trade and industry and resulting imports, bringing the total standard Goods Revenue to £2,000,000.

Allowing for approximately £25,000 on account of increased working expenditure, it was agreed that the maximum net increase available for rates reductions would amount to £75,000.

After full consideration of all aspects of the problem and particularly the need to maintain adequate contributions to Betterment Funds, it was agreed to accept a figure of £200,000 for rates reductions, in place of the £160,000 recommended by the General Manager in his memorandum. Deducting the reduction on petrol which had already been introduced, this makes available a sum of approximately £155,000 for consideration for rates reductions at the beginning of the year 1937.

It was agreed that the Revenue Account, as submitted with the Supplementary Memorandum, should be amended on this basis.

RAILWAYS NET REVENUE ACCOUNT.

Approved as printed, subject to the necessary adjustments already recommended.

COMBINED NET REVENUE APPROPRIATION ACCOUNT.

Approved as amended, subject to amendments resulting from recommendations.

1072 **RATES REDUCTIONS. (R.A.C. 11A.)**

Council considered the General Manager's memorandum No. A.4/700, dated 10th October, 1936, in the light of the position already recorded and agreed to recommend that a sum of £155,000 should be devoted to further rates reductions, to be introduced on January 1st, 1937.

In this connection Lord Francis Scott drew the attention of Council to the fact that the recommendations of the Management appeared to refer almost entirely to the higher rates, while little or nothing was recommended to be given away to the very hard hit producers of both territories. He asked that before final decision was taken, full consideration should be given to the claims of the primary producer. The General Manager undertook, when submitting his final list, to include all items of this nature that had come to his notice in order that Council might make the final selection after full consideration of the whole problem.

While Council desired to reserve its final decision on the exact reductions to be introduced on the 1st January, 1937, the following were provisionally accepted:—

(i) Bicycles—Class 2 to Class 3.

(ii) Abolition of Masindi Port—Butiaba terminals.

(iii) Sugar, e.o.h.p.—Class 6 to Class 7.

(iv) Sugar—Class 7 (1-ton lots) to Class 9 (10-ton lots).

(v) Passenger Fares :—

(*a*) 1st Class less 15 per cent.

(*b*) 2nd Class less 15 per cent.

(*c*) 3rd Class—4.25 cents per mile basis.

Age limit to which half fares apply to children increased from 12 to 14 years of age.

showing the individual works included in the Renewals and Betterment programmes for 1937, as summarized in this Abstract.

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The General Manager explained that his estimate of standard revenue had been based on 280,000 bales and that the consequential increase in standard revenue on this account of £45,000 could be accepted.

With regard to coffee, it was agreed that the standard tonnage could be increased by 4,000 tons, with an additional revenue to the Administration of £10,000.

It was agreed that the standard tonnage for sisal could be increased by 6,000 tons, with an improvement in revenue of £5,000.

The above improvements total £60,000, to which it was considered a further £40,000 could be added for other all-round improvements in trade and industry and resulting imports, bringing the total standard Goods Revenue to £2,000,000.

Allowing for approximately £25,000 on account of increased working expenditure, it was agreed that the maximum net increase available for rates reductions would amount to £75,000.

After full consideration of all aspects of the problem and particularly the need to maintain adequate contributions to Betterment Funds, it was agreed to accept a figure of £200,000 for rates reductions, in place of the £160,000 recommended by the General Manager in his memorandum. Deducting the reduction on petrol which had already been introduced, this makes available a sum of approximately £155,000 for consideration for rates reductions at the beginning of the year 1937.

It was agreed that the Revenue Account, as submitted with the Supplementary Memorandum should be amended on this basis.

RAILWAYS NET REVENUE ACCOUNT.

Approved as printed, subject to the necessary adjustments already recommended.

COMBINED NET REVENUE APPROPRIATION ACCOUNT.

Approved as amended, subject to amendments resulting from recommendations.

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(iv) Sugar—Class 7 (1-ton lots) to Class 9 (10-ton lots).

(v) Passenger Fares:—

(a) 1st Class less 15 per cent.

(b) 2nd Class less 15 per cent.

(c) 3rd Class—4.25 cents per mile basis.

Age limit to which half fares apply to children increased from 12 to 14 years of age.

As regards Passenger Fares, as it was necessary to prepare Fares Tables immediately, it was agreed that the above recommendation should be considered as final.

(vi) Class 1—Reduction of whole Class to Class 2.

(vii) Cotton Lint, Rhino Camp to Masindi Port, Class 6 to Class 8.

In addition, Council further agreed to recommend that the reduction in rates on Corrugated and Galvanized Iron, as previously recommended in Minute No. 1043, and the rate on small quantities of cement, included in the same Minute, should also be agreed to.

With regard to the rate on cement referred to in Minute 1043, Council decided, after full consideration, to make no change in the present charges.

1073 APPLICATION FOR REDUCED RATE ON EXPORT MAIZE. (R.A.C. [illegible])

Council noted the application submitted by the maize industry for a reduction in the rate on maize for export from Sh. 13/50 per ton to Sh. 11/20 per ton. After a preliminary discussion, it was agreed that this matter should be left over for final consideration at the next meeting of Council.

1074 COTTON SEED INDUSTRY. (R.A.C. 9.)

Council noted the report of the discussions that had taken place between the Superintendent of the Line and the representative of the Uganda Cotton Association and approved the recommendation of the General Manager that the principle of the protection of goods at stations and ports while awaiting transport should be agreed to, subject to a suitable charge.

Council agreed to accept the recommendation of the Management that, so far as cotton seed is concerned, protection should be approved at the following stations:—

Kampala,
Nsinze,
Katebo,
Bukakata,
Kemuli,
Namaganda,
Nagongera,
Magodes,

for which a charge of 25 cents per ton for all cotton seed loaded at these stations and ports should be raised. It was agreed that a suitable addition to the Tariff Book should be made, to cover this departure from previous policy.

1075 PROVIDENT FUND VOLUNTARY DEPOSITS. (R.A.C. 19.)

Council agreed to recommend that action be taken to remove the present restriction which prevents pensionable staff making voluntary deposits to the Provident Fund, by amending the State Railway Provident Fund Ordinance, as proposed in the draft Bill submitted with the General Manager's memorandum No. SPG. 18/2/11 of the 19th October, 1936.

1076 DATE OF NEXT MEETING OF COUNCIL.

It was agreed that the next meeting of Council should be held in Entebbe on Monday the 30th November, 1936.

Chairman.

CAPACITY OF THE RAILWAY - SEASON 1937.

The attention of Council is drawn to the memorandum dealing with the Capacity of the Railway, dated 24th April, 1936, and considered at the 46th Meeting of Council in May last; also to Minute No. 1045 of the 47th Meeting, held in July, wherein the following was recorded:-

"Council had under consideration the memorandum submitted by the General Manager, No. A.4/224, dated 3rd June, 1936, and, after a very lengthy discussion of all the points involved, NOTED the statement by the General Manager that the present application of the quota system had not eliminated completely "peak" movement during certain months, but, as the cost, in practice, had not proved a hardship to other traffics,

Council AGREED to recommend -

That the present ratio of non-controlled to controlled traffic be maintained.

2. Council FURTHER NOTED the views of the Uganda members, as recorded in the following memorandum:

'The present system of operating "Z" rate traffic is unsatisfactory in practice and it is essential to ensure in advance that adequate facilities for evacuating cotton seed should be made available in reasonable monthly allocations each season in accordance with requirements and without additional charge to the industry.

Lint and seed (rather than seed and maize) should be treated together for the purpose of assessing appropriate allocations for space, in view of their inseparable connection with the aggregate benefit accruing to the Kenya and Uganda Railways and Harbours from the cotton industry in respect of paying traffic, both import and export.

Main Line facilities should be improved, if necessary, to deal with the increasing volume of traffic and the potentialities of Lake Victoria for evacuation of produce should be examined and rationalised.'

3. Whilst appreciating the intimate relation between lint and seed, as emphasised in the Uganda memorandum and in the General Manager's memorandum on Rates Policy of 1931 and the importance to the Railway Administration of the cotton industry as a whole, Council was of opinion that the existing system of quota allocation on the wide lines contemplated in paragraph 7 of Minute 792 for the present should provide adequate facilities for the evacuation of both maize and cotton seed during the first six months of the year without extra cost to either industry.

4. In order to secure the maximum benefit for both maize and cotton seed, the Railway Administration should fix the monthly allocation after joint consultation with two nominated members of Council and two representatives of the interests concerned."

2. Following the decision contained in the above Minute, the capacity of the Railway for the coming year has been carefully considered.

3. As a result of our experience during the present year, it is considered that the tonnage that can be dealt with by the present number of trains can be increased somewhat over the figures given in the April memorandum. It is considered, therefore, that it will be safe to accept a tonnage of 57,108 tons of export traffic to the Coast in a month of 31 days, or 55,266 tons for a month of 30 days. On the other hand, it is anticipated that the cotton crop for the coming year will be substantially greater than the crop for 1936.

4. For the present purpose, an export of 400,000 bales of cotton has been taken. On this basis, the following figures show the anticipated position and the capacity of the Railway to deal with controlled traffic in cotton seed and maize:-

EXPORT TRAFFIC - SEASON 1937.

Month	Total Uncontrolled Traffic 1936	Tonnage of Cotton 1936	1937 Additional to 1936 Tonnage of Cotton	Estimated Total Uncontrolled Traffic 1937	Maximum Capacity 1937	Balance available for Controlled Traffic
	Tons	Tons	Tons	Tons	Tons	Tons
JANUARY	18,688	777	179	18,867	57,108	38,241
FEBRUARY	23,598	7,077	1,633	25,231	51,582	26,351
MARCH	29,473	13,602	3,138	32,611	57,108	24,497
APRIL	28,648	14,416	3,327	31,975	55,266	23,291
MAY	23,343	9,062	2,091	25,434	57,108	31,674
JUNE	21,548	7,699	1,776	23,324	55,266	31,942
						175,996

Subsequent months as for June.

5. It will be noticed that these figures, for the first six months of the year, represent a substantial increase on the figures previously given. This increase has been made possible by a steady improvement in operating conditions and a better time-table, resulting in a quicker turn round of wagons and locomotives. Unless unforeseen

accidents or difficulties or sickness occur, it is believed that the export requirements can be met in a reasonable manner and in accordance with the approved policy.

6. The following figures of tonnage of controlled traffic allotted in 1936 and as actually worked in 1936 will be of interest:-

	1936 Tonnage of Controlled Traffic Allotted	1936 Tonnage of Controlled Traffic Worked		
		Maize	Cotton Seed	Total
Month	Tons	Tons	Tons	**Tons**
JANUARY	20,000	13,130	961	**14,092**
FEBRUARY	21,000	17,854	6,399	**24,254**
MARCH	22,000	14,444	13,191	**27,636**
APRIL	25,000	10,198	15,[illegible]	**26,145**
MAY	25,000	11,096	16,311	**27,407**
JUNE	28,000	2,995	17,193	**20,189**
				139,726

7. The allocation of controlled traffic as between maize and cotton seed has to be arranged, and, for this purpose, Council is asked to appoint representatives to consult with the Administration in deciding upon the quotas to be allotted.

Ref. No. A.9/563.

GENERAL MANAGER'S OFFICE,
NAIROBI.

26th September, 1936.

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL.

RATES REDUCTIONS - 1937.

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:-

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

		Reduction in Revenue based on Standard Revenue	Actuals
		£	£
	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) ..... This item was agreed to at the last meeting of Council.	7,000	10,000
(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 cents 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 .... The effect of this rate on the Cotton industry in the West Nile Province has been represented by the Government of Uganda. It is considered that the reduction shown above is justifiable.	560	560
	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,

unless it can be definitely proved that the present rate is in fact restricting development unduly, 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.

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL.

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 based, 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

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.9/55.II.

GENERAL MANAGER'S OFFICE,
NAIROBI.

20th October, 1936.

KENYA AND UGANDA RAILWAYS AND HARBOURS.

15th October, 1936.

NOTES OF MEETINGS 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. 1936.

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 tied by any figures that might now 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	17,334	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 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, 1936, 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 :-

	Area Sq. feet.	Estimated tonnage capacity.
1. Nsinze	4320	400 Tons.
2. Kamuli	2580	245 "
3. Namaganda	2580	245 "
4. Nagongera	1200	100 "
5. Magodes	1200	100 "
6. Kampala	6572	650 "
7. Katebo	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.

(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 shed 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 wagon 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.

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL.

EXPORT MAIZE RATE.

Attached, for Council's information, is a copy of a letter received from the Kenya Farmers' Association, asking for the re-introduction of the old export maize rate of Shs. 11/20 per ton on the expiry of the present temporary rebate on export maize.

2. Dealing with the case as submitted by the Association, Council will recall that the rate of Shs. 13/50 was introduced after protracted investigation and on the understanding that the traffic would be so regulated as to avoid costly peak movements, i.e. what have been called "Z" rate conditions. Restricted movement was imposed with the object of keeping out-of-pocket costs below the rate charged. Moreover, the rate of Shs. 13/50 per ton was based on 1930 costs, calculated with regard to the conditions applying to the particular traffic. (In this connection please see memorandum entitled "Railway Rates Policy", dated July 1931 and submitted to Council at their meeting of September 23rd, 1931). The fact that our average ordinary working costs have fallen from 5.743 cents in 1930 to 4.402 cents in 1935 goes to prove that the economy steps taken, coupled with almost complete elimination of the expensive maize peak have, with the increase in general traffic, achieved the desired result. At the time, the Shs. 13/50 rate was introduced, it, with Branch Line charges, only just covered out-of-pocket costs for the average haul than in force. It would be most unfortunate if any step were now taken again to reduce the maize rate to an uneconomic level and thereby partially to destroy that which has been achieved. (In this connection, please refer to the memorandum on "Railway Rates Policy in its Relation to the Quota System", dated June, 1936, submitted to Council at their meeting of July, 1936).

3. The maize industry has been relieved of the Branch Line charge and has moreover also benefited considerably from the other general rates reductions introduced at the end of 1935. The Kenya Farmers' Association, in paragraph 3 of their letter, make a particular point of motor haulage. In this connection, it should be borne in mind that the Administration only recently reduced the rates for petrol and diesel fuel; (haulage charge on returning empty vehicles).

4. Also, it must not be overlooked that the reduction in ordinary working costs per total freight ton mile, amounting to 1.341 cents, is partially counterbalanced by an increase in Loan costs. On the question of average haul, figures show that, in the case of maize, this has increased from 550 miles in 1930, on which the Shs. 13/50 rate was based, to 572 miles in 1935 and for the first quarter of 1936 to 583 miles, i.e. the Administration is performing more work for the same rate. For example: allowing for the Branch Line charges, the rate per ton averaged approximately Shs. 15/-

for a haul of 550 miles, or 2.7 cents per ton mile. The present charge of Shs. 13/50, ignoring other reductions, for an average haul of 583 miles, gives a rate of 2.3 cents per ton mile, showing a handsome reduction on the old rate.

5. So far as storage is concerned, it is not the approved policy of the Administration to provide free storage for export traffic and the expense which the Kenya Farmers' Association claim that the maize industry has been put to in this respect might be equally well advanced by any other industry or customer of the Administration. The expenditure of capital to provide suitable transit storage accommodation has undoubtedly saved the maize industry storage costs in other directions (for instance at Kilindini), and has avoided other losses due to deterioration, etc. It is reasonable to assume that the expenditure would not have been incurred if this were not so.

6. Furthermore, it also may be assumed that our quota system tends to assist the maize industry, as it does the cotton seed industry, in arranging shipment, because the industry, being aware of the tonnage which can be accumulated at the Coast during any given period, is able to conclude with confidence charters or other shipping arrangements well in advance of requirements.

7. Dealing with the final paragraph of the application, the following comments are made:-

(a) This is a normal business risk and not one that should influence a Transport Administration in fixing its rate structure; otherwise, rates would fluctuate every time the price of any bulk commodity falls or rises, thus introducing a very undesirable element into marketing conditions.

(b) The advantage derived by the Port from the considerable export of maize is admitted, but the question of reducing Port charges is one which will be considered on its merits and should not enter into consideration of the Railway rate.

(c) Maize alone has not contributed to the fall in costs.

(d) The argument advanced in this case cannot possibly be accepted as justifying differential treatment in favour of the maize industry.

8. Based on 1935 export tonnage, a reduction in the rate for maize from Shs. 13/50 to Shs. 11/20 per ton would involve approximately £7,500 per annum. While it is a fact that the Railway working expenditure has beem materially reduced, as already explained, it must be borne in mind that the industry has already been granted substantial relief, both directly and indirectly, by the reduction in rates since December last and will participate, if only indirectly, in the further general rates reductions to be considered by Council at this meeting. Moreover, the overseas maize

68

prices have during recent months risen considerably and the present economic position of the industry must have improved correspondingly.

9. Any reduction in the maize rate must in equity involve a similar reduction in the rate on cotton seed and it is considered that such sums as can be made available for rates reductions can be more fairly allocated in other directions.

RECOMMENDATION:

Council is unable to recommend at the present time the re-introduction of a rate of Shs. 11/20 per ton for the conveyance of export maize.

Ref. No. A.4/224.

GENERAL MANAGER'S OFFICE,
NAIROBI.

9th October, 1936.

69

THE KENYA FARMERS' ASSOCIATION, LTD.

P.O. BOX NO. 35,
NAKURU.

23rd September, 1936.

General Sir Godfrey Rhodes,
General Manager,
Kenya & Uganda Railways & Harbours,
NAIROBI.

Dear Sir,

The Railway Council a year ago carefully reviewed the position with regard to the users of the Railway and decided to make certain permanent freight reductions. At the same time realising the difficult position facing the maize grower and the necessity in the general interests of the Colony of Kenya and the Protectorate of Uganda of a substantial reduction in the marketing costs of maize, in some measure to off-set the unprecedented fall in world maize values, the Railway Council reduced the railage on maize for export to Shs. 8/50 per ton, this rate to remain in force until 1st December, 1936.

The Kenya Government decided to assist the maize industry by such a subsidy as would bring the price to the grower up to Shs. 4/50 per bag and the sum of £12,000 was voted for this purpose. The world price fell to an even lower figure than was anticipated and the Kenya Government vote will not result in the grower getting the anticipated Shs. 4/50; he will get about Shs. 4/- per bag.

During the year the users of maize within the Colony of Kenya and Protectorate of Uganda have derived a very material benefit in purchasing maize at a very low figure, a figure below the cost of production. Much Kenya maize has been railed to Uganda at the low figure to the very material advantage of the sugar estates, gold mines and administration. The export of maize has been maintained with the result that the port has derived considerable benefit both from the actual maize passing through it and the natural resulting returning traffic, which is appreciable, especially when the expenditure in motor haulage of something like 80,000 tons of maize to the Railway is taken into consideration. There would appear no doubt that the general public of Kenya and Uganda have derived a benefit from the low internal maize prices at the expense of the maize grower, who has been producing at a loss.

The Railway Council at its next meeting will have to consider again the question of the maize rate. At the moment the price of maize is higher than it has been for some time, but the position may only be temporary, and not continue throughout the maize season. In fact the value of Argentine maize has fallen from Shs. 25/- to Shs. 21/10½d. per quarter on the world market and the future values are at an even lower rate.

The Administration introduced a new rate on maize for export increasing the rate from Shs.11/20 to Shs.13/50 per ton. This increase was considered necessary as a result of the losses incurred by the Railway and after taking into consideration the actual cost of movement at that time, together with the increase in the maize rate, a policy of restricted movement was introduced to avoid high peak traffic periods. The decision of the Railway Council was based, we understand, on the 1931 working cost figures. The average cost per total freight ton mile for the past five years is as follows:-

1931	6.140
1932	5.440
1933	4.381
1934	4.621
1935	4.402

It must be agreed that the reduction in working costs is appreciable and the Administration is to be congratulated on this achievement. It is difficult to estimate the extent to which the restriction in movement in the case of maize and cotton seed and the consequent flattening of the peak traffic curve has contributed to this reduction, but it must have had some effect. However, there has been a reduction in working costs of 1/738 per ton mile since the figures were before the Council on which the Shs.13/50 rate was based and when it is realised that the average maize railment is of something like 550 miles, it must be admitted that there is a substantial reduction in the cost of moving maize for export since the Advisory Board fixed the Shs.13/50 rate. The great bulk of the maize exported is European grown and handled by the Kenya Farmers' Association. The Railway policy of restricted movement has imposed a heavy burden on the exporters of maize, who have been compelled to expend large sums of money in providing storage at Railway stations and sidings. This storage is generally provided by the Railway Administration. Here, however, we have to purchase plots from the Railway, pay an annual plot rent and erect stores at our own expense. The interest on capital, depreciation, insurance and maintenance of these buildings is a charge borne by the maize producer and may fairly be considered part of the railage charge.

This Association, during the past three years has had to spend an additional £4,000 on storage accommodation at Railway sidings, and at present has godowns at Kitale, Glanvills Halt, Hoey's Bridge, Matunda, Turbo, Lugari, Eldoret, Sabatia, Rongai, Milton Siding, Ol Punyata, Gilgil, Nakuru, Molo, Naro Moru, Moshi and Nairobi, and rents godowns at Karatina, Fort Hal , Maragua and Thika. All these buildings and their staffing add considerably to the actual cost of movement of maize for export and locks up capital of the Association to the extent of over £16,000, as well as bringing some revenue to the Railway from rents, etc.

In view of these facts:-

(a) that the maize grower has lost considerably in selling in the past year at a loss,

(b) the advantage derived by the port from the considerable export of maize during the past season,

(c) that the cost of movement on the Railway has fallen since the freight rate was increased,

(d) that the maize industry has been forced to invest large sums in providing storage at many points on the line in order to be able to move the maize, which never enters Railway stores,

this Association, representing the maize growers will be grateful if you will submit this case to the Railway Council and request them when the question of the maize rate is under consideration to re-introduce for the time being the maize export rate of Shs. 11/20 per ton.

Yours faithfully,

(Signed) G.W.C. GRIFFITHS.

General Manager.

72

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL.

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		757,024
Balance		1,026,749
Contributions to Renewals Fund		223,245
Balance		803,504
	£	
Loan Fund Charges	418,813	
Write-off of Dead Assets	16,243	
Rebate on Maize	16,991	
	452,047	
LESS:		
Miscellaneous Receipts (Net Revenue Account)	37,378	414,669
Balance (Surplus)		388,835
Harbours (Surplus)		43,031
Total Surplus - January-August, 1936		£431,866

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.

73 4

KENYA AND UGANDA RAILWAYS AND HARBOURS.

P. O. Box 601.
Telegrams :—HIGHCOMA, NAIROBI.

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

No. T/Port/B.11.

19th October, 1936.

CONFIDENTIAL.

Forwarded with the compliments of the Secretary to the High Commissioner for Transport, reference the High Commissioner's Transport Confidential despatch dated 28th July, 1936.

2 copies of printed Minutes of Harbour Board Meeting of 30th September, 1936.

THE UNDER SECRETARY OF STATE,
COLONIAL OFFICE,
DOWNING STREET, S.W.1.

74

Harbour Advisory Board Minutes

SEPTEMBER 30, 1936

NAIROBI
PRINTED BY THE GOVERNMENT PRINTER
1936

Minutes of Meeting of Harbour Advisory Board 1936

NINETY-FIRST MEETING

Held at Mombasa, on Wednesday, 30th September, 1936, at 9.15 a.m.

Present: THE HON. MR. E. G. BALE (*Chairman*), MR. J. C. WHITE, MR. H. H. GOODHIND, MR. W. G. NICOL, MR. A. S. FOLKES, MR. A. DAVIES and LT.-COL. G. C. GRIFFITHS, C.M.G.

In attendance: LIEUT.-COMMANDER N. J. STACY MARKS, R.D., R.N.R., Port Manager, MR. R. P. WALKER (Chief Accountant, Kenya and Uganda Railways and Harbours), MR. S. J. MEEHAN, and MR. F. A. WAKEFORD, Secretary (throughout the proceedings).

1030 MINUTES OF PREVIOUS MEETING.

The Minutes of the meeting held on the 28th August, 1936, having been circulated, were taken as read and confirmed.

1031 POSITION RELATIVE TO PREVIOUS MINUTES.

With regard to Minute 1018 the Board notes the wishes of the High Commissioner for Transport in regard to Sub-Committees' Reports, and will proceed accordingly by making these available to the Administration on the understanding that no executive action in regard thereto will be taken before these Reports are considered by the Board.

1032 SLIPWAY AND WORKSHOPS AREA—MBARAKI (P.M.'s D.1/48.)

The Board having examined the financial implications of the proposal before it and considered the attendant circumstances, recommends that relief should not be afforded in respect of the Workshops Area inclusive of the Reclaimed Area (full rent Sh. 8,000 p.a.), but that by reason of the terms of the lease and the public facility represented thereby relief should be allowed for the Slipway Area inclusive of the Foreshore and Sub-marine Areas (full rent Sh. 5,474 p.a.) as follows—

that from and including the year 1933 the annual rent charge should be calculated at the rate of half of Sh. 5,474, and that accounts should be adjusted accordingly.

Mr. Nicol, having declared his interest, did not vote.

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> that from and including the year 1933 the annual rent charge should be calculated at the rate of half of Sh. 5,474, and that accounts should be adjusted accordingly.

Mr. Nicol, having declared his interest, did not vote.

1033 DRAFT HARBOURS (AMENDMENT) REGULATIONS, 1936.

(P.M.'s D.7/3.I.)

The Draft Amendments to the Regulations are recommended for approval, subject to the following alterations :—

Part I.—Regulation 7 to read :—

"No aircraft shall leave the waters of the Harbour without permission of the Port Management."

Regulation 9 to read :—

"Any aircraft using the waters of the Harbour shall comply with all Customs and Health requirements as if such aircraft were a ship, and for every purpose of Customs clearance and free pratique she shall be dealt with as if she were a ship, subject to any special regulations which may be in force from time to time with respect to aircraft."

1034 BERTHING OF SHIPS AT THE DEEP-WATER QUAY.

(P.M.'s D.1/24.)

The Chairman read a letter from Mr. H. V. Gandar, regretting his inability to attend the meeting, and setting out the views of the majority of the Conference Lines on this subject.

The Board was of the opinion that as no ships calling at the Port of Mombasa are under mail contract to the Government of Kenya, the time is not yet ripe for the introduction of the practice of preferential berthing.

1035 PROPOSED DEMARCATION OF PORT AND RAILWAY LAND—MOMBASA ISLAND. (P.M.'s D.7/6.A.)

Minute 990 refers.

The Board accepted the proposed demarcation by boundaries capable of physical identification, on the understanding that the division of land indicated thereby was not a decision as to the individual vesting of property in either the Railway or Port Administration.

1036 SUPPLEMENTARY ESTIMATES—1935. (P.M.'s D. 7/3.H.)

Noted.

1037 CUSTOMS IVORY ROOM. (P.M.'s D.1/46/3.).

A memorandum was placed before the Board detailing the history of the present Customs Ivory Room, and the reason for the continued use of this Port building by H.M. Customs without payment of rental to the Administration.

The Board noted the position.

1038 STORAGE CHARGES ON MAIZE. (P.M.'s D.5/2.C.)

Minutes Nos. 976, 985, 998, 1013 and 1025 refer.

A statement was placed before the Board giving details of the refund, to the Kenya Farmers' Association, of Storage Charges incurred on maize during 1935.

The Board noted the Administration's action.

1039 GENERAL MANAGER'S ANNUAL REPORT—1935.

(P.M.'s D.1/62.G.)

A memorandum had been submitted by the Port Manager containing an extract from the Rt. Hon. Secretary of State's despatch in connection with the Hon. General Manager's Report for 1935, which was noted by the Board with gratification.

1040 HARBOUR TONNAGE SCALE. (P.M.'s D.2/27/2.)

In regard to the terms of Memorandum A.1/2180/II dated 22-9-36 in particular, and in relation to past practice in general in the application of Regulation 106 (a), and in respect of the investigations of the Administration which resulted in the tariff proposals examined and reported upon by the Sub-Committee appointed at Minute 1004, the Board felt compelled to record that the present Landing, Delivery and Forwarding Order never had called for anything other than a declaration from the importer of the Bill of Lading weight or measurement. Such divergence of opinion as existed between the Board and the Administration was confined to whether Regulation 106 (a) should be applied as it stood, or whether it should be amended to call for declarations of weight or measurement whichever shall yield the higher charge.

Any financial losses resulting from past executive inaction, in the opinion of the Board, could be attributed to the use of Landing, Delivery and Forwarding Order Forms framed as mentioned previously, and it was submitted that if these forms had called for declarations in terms of weight *or* measurement, as defined at section 21 of the Harbour Tariff, financial losses and the danger thereof would have been avoided. The Board, nevertheless, on the information afforded by the memorandum and during discussion, agreed that the wisest policy to adopt in the circumstances was the rigid application of Regulation 106 (a) after at least three months notice, and recommended accordingly. The Board suggested that Regulation 106 (b) would require amendment and urged also that immediate action

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In regard to the terms of Memorandum A.1/2180/11 dated 22-9-36 in particular, and in relation to past practice in general in the application of Regulation 106 (*a*), and in respect of the investigations of the Administration which resulted in the tariff proposals examined and reported upon by the Sub-Committee appointed at Minute 1004, the Board felt compelled to record that the present Landing, Delivery and Forwarding Order never had called for anything other than a declaration from the importer of the Bill of Lading weight *or* measurement. Such divergence of opinion as existed between the Board and the Administration was confined to whether Regulation 106 (*a*) should be applied as it stood, or whether it should be amended to call for declarations of weight or measurement whichever shall yield the higher charge.

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Col. Griffiths requested that it be recorded as his opinion that Minute 1018 should be adhered to and the Landing, Delivery and Forwarding Order Form amended as suggested above.

1041 MAGADI SODA COMPANY'S SHIMANZI PREMISES. (P.M.'s D.1/67.)

Minutes Nos. 1005, 1019 and 1028 refer.

The proposed purchase of the above property had been approved by the High Commissioner for Transport and recommended for the sanction of the Secretary of State, subject to certain conditions relative to purchase price, maintenance, transfer liabilities, tariff rates and the lease.

The Board recommended that in order to finance the purchase of these premises the following re-allocation of Loan Funds be arranged:—

(i) £19,592 be met from the unappropriated balances of Item 7b—Port Improvements—of the Kenya Loan of £3,400,000 (1930); and

(ii) that, with the approval of H.E. the Governor of Kenya and the Secretary of State and confirmation by Resolution of the Legislative Council of Kenya, a sum of £26,000 be transferred from the unappropriated balance of Item 6a—Branch Lines—Kenya (1930) Loan to Item 7b—Port Improvements.

1042 PORT MANAGER'S HALF-YEARLY REPORT ON PORT OPERATING, 1936. (P.M.'s D.1/62.)

The Board noted the report with intense satisfaction, and considered it reflected the greatest possible credit on the Port Administration and the Landing Contractors.

1043 DRAFT HARBOUR ESTIMATES—1937. (P.M.'s D.7/3.J.)

The Board, having taken full note of paragraph 13 of the memorandum, and considering the Report of the Sub-Committee on the Draft Estimates of Revenue and Expenditure for the year 1937 in the light of further information made available during discussion was satisfied—

(1) that the Administration's Export Revenue Estimate of £166,750 was reasonably conservative;

(2) that the heading of Abstract F.VII "Loss on Stores" was correct;

and, with these two alterations, recommended the adoption of the Report.

1044 REPORT OF AUDIT OF ACCOUNTS—1935. (P.M.'s D.1/62.G.)

The Board noted the Report, and the High Commissioner's Despatch thereon to the Secretary of State.

1045 PILOTS—SCALES OF SALARIES. (P.M.'s S.352.)

Minute 949 (General—Revised Salary Scales) refers. The Administration again put forward the proposals in regard to the revision of the scale of salary for Pilots. The Administration's proposal was approved by the Board—*vide* Minute 1043.

1046 MR. R. P. WALKER—CHIEF ACCOUNTANT.

The Chairman, on behalf of the Board, thanked Mr. Walker for attending the meeting, and for the assistance he had rendered.

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TR 3

TRANSPORT.

KENYA - UGANDA.

CONFIDENTIAL.

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

RECEIVED
28 AUG 1936
C. O. REGY

28th July, 1936.

Sir,

(1) With reference to my despatch Transport No.38 of the 14th May, I have the honour to enclose copies of the printed Minutes of the meeting of Railway Advisory Council held at Entebbe on July 1st and 2nd, and of two Memoranda under consideration at that meeting, dealing respectively with Railway Rates Policy in its relation to the Quota System, and the Financial Results of Working, January-May 1936.

2. I regret that by inadvertence my previous despatch under reference was not marked Confidential. As you are aware, both the Railway Council and the Harbour Board are bodies whose advice is tendered to me confidentially, and I consider it undesirable that the general public should have access to the records of their proceedings or to the material submitted to them for consideration. I shall be grateful if the necessary steps may be taken to repair this oversight.

I have the honour to be,

Sir,

Your most obedient, humble servant,

B. Preston

for HIGH COMMISSIONER.

THE RIGHT HONOURABLE,

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

SECRETARY OF STATE FOR THE COLONIES.

DOWNING STREET. S.W.1.

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL.

RAILWAY RATES POLICY IN ITS RELATION TO THE QUOTA SYSTEM.

The Transport Services of Kenya and Uganda, incorporated under the name of the Kenya and Uganda Railways and Harbours, are designed, managed and directed with the sole object of providing the best, cheapest and most efficient service for the public as a whole and the extent to which they fail to do this is a measure of the failure of those responsible for their design, management and direction.

2. In reviewing the rates policy of the Services, therefore, an attempt will be made to estimate the success, or otherwise, of our efforts by the answer to the question: Are we in fact serving the public, or are we, as has been suggested in this Council and outside, exploiting the public for the benefit of the Transport machine? with particular reference to the quota system for regulating and controlling the two low-rated commodities - maize and cotton seed.

3. In order to avoid undue repitition, members of Council are asked to read carefully the memorandum on Rates Policy, dated 25th July, 1931, first considered by Council at their meeting of September, 1931 (Minute 668), upon which the present quota system was based, but it will be appropriate to recall to mind the fact that the memorandum in question was drafted as one of the measures to deal with a very serious financial situation. The present position, however, is quite different, as the finances of the Administration have never been more sound. It is for consideration whether that satisfactory fact is due to the measures then adopted, and, further, whether having re-established the financial position it is now possible to relax some of the conditions then laid down.

4. Fortunately, as a direct result of the policy of the Management to provide detailed information and statistics of working and costs (See paras. 5 et seq of the 1931 memorandum), Council have at their disposal with the publication of the Annual Report for 1935, a mass of information sufficient to enable a proper judgement to be arrived at. The memorandum entitled: The Future Financial Policy of the Kenya and Uganda Railways and Harbours Administration, dated 14th May, 1935, and submitted to Council at their meeting of the 12th/13th June, 1935, (Minute 971) contains a full summary of the financial position, which, with the figures now available for 1935, brings up to date the information available.

5. From a study of this data, Council will no doubt agree that, whatever may be necessary or possible in the future, the policy inaugurated in 1931, combined with other economy measures, has, with the important assistance of excellent cotton crops in Uganda and the mining industry and other developments in Kenya, completely achieved the object aimed at, viz: financial stability.

6. In addition, a careful study of the operating figures and statistics included in the Annual Report, will disclose the fact that the service now offered to the public is more efficient and more economical than at any previous time in the history of the Services. In fact, the only direction of importance where complete satisfaction has not been given is in connection with the application of the quota system to maize and cotton seed. The remainder of this memorandum will, therefore, deal with the consideration and review of that policy.

THE QUOTA SYSTEM:

7. It will be remembered that the difficulty which presented itself so acutely in 1931 was, to an important extent, due to the sudden increase in 1930 and 1931 in the tonnage of maize to be exported. On one occasion only prior to this i.e. in 1927, had the maize crop provided comparable figures. In 1930 and 1931 the ton mileage of low-rated commodities (maize, cotton seed and wheat), as shown by the table published on page 62 of the Annual Report for 1935 and reproduced below for ready reference, reached the alarming proportion of 35% and 33% of the total public traffic carried. On one occasion since the proportion has been as high as 29% (i.e. in 1933).

(For Table see page 3)

NOTE: This table has been prepared on the basis of an estimated average length of haul for maize and cotton seed of 550 and 738 miles respectively. Actual mileages for the traffic dealt with in 1935 were 572 for maize and 807 for cotton seed and for the first quarter of 1936: 583 for maize and 790 for cotton seed.

When it is remembered that in 1930 and 1931 the "out-of-pocket" cost of moving these low-rated commodities under the then existing "peak" conditions was very considerably in excess of the rates charged, the seriousness of the position will be realised.

8. By 1933, the introduction of the quota system and other economy measures had considerably reduced the cost of haulage and that year, in spite of the high proportion of low-rated traffic (29%) showed a substantial surplus in working, whereas the three previous years had shown heavy losses. It would appear from this experience that the present policy has safely stood the test of carrying under the quota system, a high proportion of very low-rated commodities. This is, of course, due to the fact that under the quota system as then applied the out-of-pocket costs did not, as they did formerly, exceed to any serious extent, if at all, the income obtained. This position can be maintained so long - but only so long - as the rates charged do in fact approximate out-of-pocket costs, and, under these conditions, every increase in the tonnage of these commodities has a direct and definite beneficial effect on the finances of the Services quite independently of the increase or decrease in the totals of other traffic.

Year	Maize — Average Rate 2.2 cents per Ton Mile. Temporarily 1.35 cents		Cotton Seed — Average Rate 3.08 cents per Ton Mile		Wheat. — Average Rate 3 Cents per Ton Mile		Total in Millions of Ton Miles.	Percentage of Total Public Traffic.
	Tons.	Ton Miles	Tons	Ton Miles	Tons.	Ton Miles		
1922	19,856	8,935,200	2,520	1,859,760	27	12,150	10.8	Not available.
1923	43,735	20,695,450	10,014	7,390,332	9	4,050	28.1	
1924	59,336	29,074,640	21,155	15,612,390	92	41,400	41.7	
1925	61,238	31,231,380	22,309	16,464,042	29	13,050	47.7	
1926	46,490	24,644,470	35,563	26,245,494	3	1,350	50.9	
1927	89,383	49,160,650	29,957	22,108,266	16	7,200	71.2	29.3
1928	44,648	24,556,400	45,845	33,833,610	6,838	3,077,100	61.4	23.0
1929	40,185	22,101,750	68,069	50,834,922	3,267	1,470,150	73.8	24.5
1930	119,766	65,871,300	35,910	26,501,580	10,786	4,853,700	97.2	35.0
1931	94,315	51,873,250	49,610	36,612,180	3,134	1,410,300	89.9	33.1
1932	34,510	18,980,500	59,482	43,897,716	11	4,950	62.9	24.6
1933	49,598	27,278,900	84,768	62,558,784	..	..	89.8	29.1
1934	26,107	14,358,850	40,422	29,831,436	..	..	44.2	15.7
1935	63,665	35,014,650	[illegible],669	41,083,722	..	..	76.1	22.8

9. Where the rates charged do not in fact cover out-of-pocket costs, as when peak conditions, even to a limited extent are permitted, then the extra cost can only be carried without hardship or danger provided there is an adequate increase in better paying traffic.

10. The fluctuations in ton mileage of low-rated commodities is clearly shown in the above table and when it is stated that the ton mileage in 1936, with a 70,000 ton export of maize and a 90,000 ton export of cotton seed will exceed the highest previous total (i.e. in 1930) the importance of the revenue <u>approximating the out-of-pocket cost of movement</u>, is clearly evident.

<u>NOTE</u>: It may be stated here that this is an invariable condition of all very low rates on all soundly managed Railways. See also para. 36 of the memorandum of 1931.

11. While the growth and fluctuations in low-rated ton mileage is indicated in the above table, it is necessary, to complete the picture, to give under a few main commodity heads, similar figures of "paying" or "uncontrolled" traffic. These are shown in the following table:-

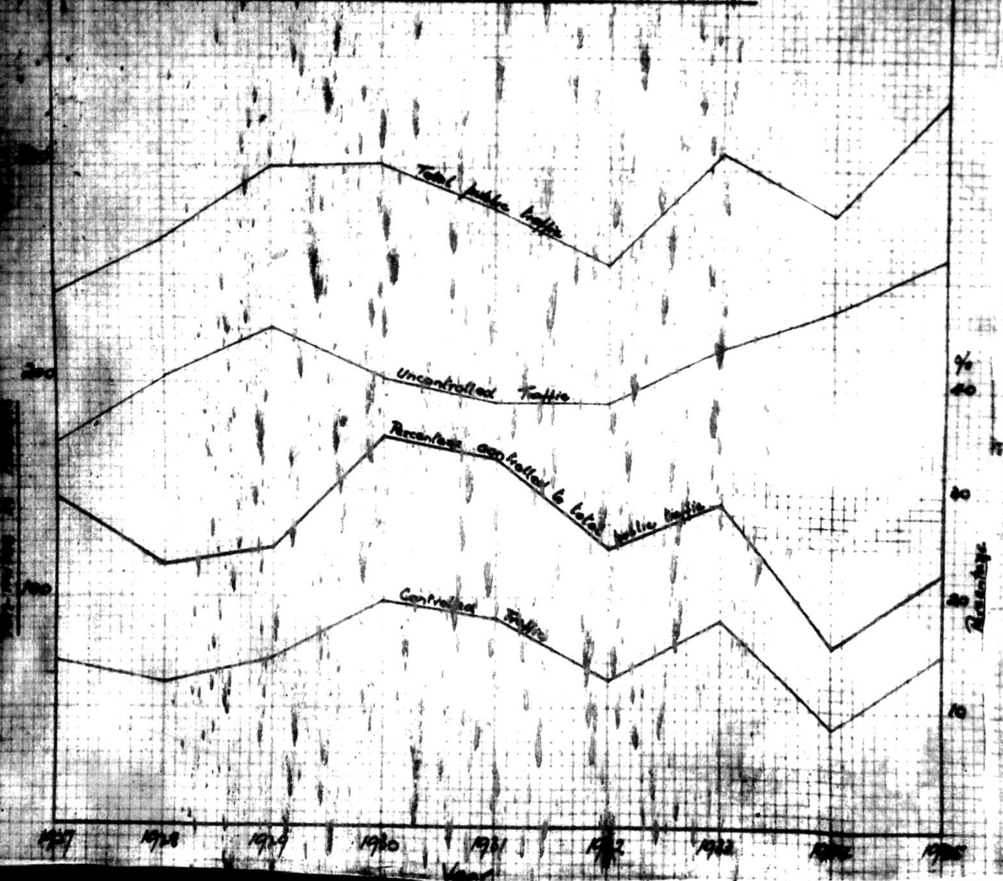
(For Table see page 5).

These two tables give a complete picture of the present position, while the graph on page 6 will perhaps indicate future tendencies.

"UNCONTROLLED" PUBLIC TRAFFIC

Year	Cotton		Coffee		Soda Ash		Other		Total in Millions of Ten Miles.	Total Public Ton Miles.	Total Tons of Public traffic	Percentage of total public traffic
	Average rate 11.3 cents per Ton Mile		Average rate 11.5 cents per Ton Mile		Average rate 4.89 cents per Ton Mile		Average rate 17.9 cents per Ton Mile.					
	Tons.	Ton Miles	Tons	Ton Miles	Tons	Ton Miles	Tons	Ton Miles				
1927	15,298	11,289,924	18,369	8,376,264	60,104	22,719,312	599,935	129,210,572	171.6	242,872,188	813,062	70.7
1928	29,091	21,469,158	23,269	10,610,664	70,620	26,694,360	641,012	146,668,972	205.4	266,910,264	861,323	77
[illegible]	37,311	27,535,518	16,427	7,490,712	56,989	21,541,842	730,686	170,388,438	227	300,763,386	952,934	75.5
1930	24,531	18,103,878	29,784	13,581,504	44,005	16,633,890	633,498	157,150,000	205.5	302,685,762	898,280	65
1931	36,390	26,855,820	25,695	11,716,920	43,697	16,517,466	549,153	138,022,709	193.1	283,048,646	801,994	66.9
1932	38,179	28,176,102	28,726	13,[illegible],056	42,160	15,936,480	520,385	136,085,903	193.3	257,183,976	723,453	75.4
1933	54,823	40,459,374	29,745	13,563,720	35,778	13,524,084	511,651	150,955,811	218.5	308,338,673	766,363	70.9
1934	54,182	39,986,316	32,810	14,961,360	30,857	11,663,946	544,328	170,646,837	237.3	281,458,745	728,706	84.3
1935	49,538	36,559,044	44,734	20,398,704	41,919	15,845,382	594,272	185,530,294	258.3	334,431,796	849,795	77.2

Controlled, uncontrolled and total public ton-miles



85

Page 6

12. It will now be clear from an examination of these two tables and of the graph that it is quite impossible to say what tonnages and ton mileages of controlled and uncontrolled traffic future years will produce, but it may perhaps be stated that, while there should be a steady increase in "uncontrolled" traffic with the growth and development of the two territories, "Controlled" traffic may fluctuate considerably and may, therefore, vary from a comparatively unimportant proportion of the total to quite a serious proportion. This fluctuation is unimportant in its effect on the financial position only when revenue approximates or exceeds (however slightly) out-of-pocket costs. It is now necessary, therefore, to examine carefully the question of costs as compared with the services rendered during the present year, and, in order to ensure a proper comparison, the same basis will be followed as was done in the 1931 memorandum.

COSTS:

13. The arguments in that memorandum were based on average figures and it is therefore necessary to repeat the warning contained in para. 30, reproduced herewith:-

> "30. It is important to realise that while average costs may, as stated in my Report, be indicative of the position, they must be carefully analysed when deducing from such figures what the approximate cost of carrying individual commodities might be. It is quite impossible to obtain actual costs of carrying any one commodity. Too many factors enter into the calculation. Under conditions such as exist in this country, average costs are more closely accurate than would perhaps be the case elsewhere. An examination of average cost figures will, therefore, be of value."

14. The average costs per public freight ton mile are shown on page 9 of the Annual Report and are reproduced below for convenience:-

	Average Costs per PUBLIC Freight Ton Mile					
	1930	1931	1932	1933	1934	1935
	Cents	Cents	Cents	Cents	Cents	Cents
Ordinary Working Costs	6.565	6.816	6.009	4.691	5.157	4.925
Depreciation Costs ...	2.037	2.174	2.533	2.173	2.388	2.010
Working Costs (Inclusive of Depreciation but exclusive of Loan Charges)	8.602	8.990	8.542	6.864	7.545	6.935
Loan Costs	3.475	4.300	4.937	3.994	4.363	3.782
Total Costs	12.077	13.290	13.479	10.858	11.908	10.717

NOTE: The costs given in the 1931 memorandum were based on "average" costs per total freight ton mile. It will, however, be obvious that the more correct picture will be given by the table shown above.

15. If ton mileage figures remained constant, then fluctuations in "average" costs per ton would indicate the increase or decrease in cost of working, but with a fluctuating ton mileage, these figures are somewhat vitiated. The figures for 1935 may, however, be taken as reasonably representative of the position.

16. The difficulty and danger of applying "average" costs to particular commodities have already been referred to and members should also read paras. 41-53 of the 1931 memorandum, dealing with "W", "X", "Y" and "Z" costs depending on the conditions under which traffic is carried and for convenience the very important paragraphs 46, 47 and 48 are repeated here:-

"46. It is obvious that rates just sufficient to cover Class "Z" and Class "Y" costs can only justifiably be quoted when traffic concerned is not a peak traffic, i.e. when it can be carried in rolling stock and with staff required and paid for by other traffic.

47. It follows from this that if a traffic is only capable of bearing a rate equivalent to Class "Z" or Class "Y" cost, such a rate can only be agreed to if the conditions controlling such costs can be adhered to.

Provided such conditions can be adhered to, something above costs helps to reduce the Loan and overhead charges on all other traffics, and is therefore beneficial to all other users of the Railway.

48. It is further obvious that the greater the importance of a low-rated traffic in proportion to the total traffic of the Railway, the greater the care that is necessary to see that the rate charged does in fact cover cost in the conditions under which it is carried. The amount over and above such cost that can be levied depends entirely upon what the traffic can bear.

It will usually be found to be the case that low valued commodities for export can afford only Class "Y" or Class "Z" conditions, while the lowest ordinary Class rate (in our case Class 10) should cover Class "X"."

17. The question of empty haulage is a very important one and the figures given in Bulletin No. 17 and in the memorandum on the Capacity of the Railway, dated 24th April, 1936, and considered at the last meeting of Council are relevant and are reproduced below:-

IMPORT TRAFFIC FORWARDED FROM THE COAST.

1935	TONS
January	15,937
February	21,460
March	33,392
April	16,780
May	11,394
June	16,573
July	11,584
August	33,409
September	27,222
October	14,069
November	25,589
December	18,334
Total for the Year	245,743
1936	
January	26,396
February	28,675
March	24,214

EXPORT TRAFFIC RECEIVED AT THE COAST.

1935	MAIZE	COTTON SEED	TOTAL OF MAIZE AND COTTONSEED	OTHER TRAFFIC	TOTAL ALL TRAFFIC
	Tons	Tons	Tons	Tons	Tons
January	8,204	1,472	9,676	16,112	25,788
February	14,604	6,819	21,423	21,583	43,006
March	4,469	9,181	13,650	23,755	37,405
April	13,683	10,198	23,881	21,927	45,808
May	8,011	9,196	17,207	21,418	38,625
June	2,084	7,343	9,427	17,536	26,963
July	3,804	5,447	9,251	16,566	25,817
August	402	2,039	2,441	15,325	17,766
September	2,089	680	2,769	20,132	22,901
October	691	1,369	2,060	20,698	22,758
November	882	836	1,718	19,383	21,101
December	4,740	1,089	5,829	22,714	28,543
Total for Year	63,663	55,669	119,332	237,149	356,481
1936					
January	13,130	963	14,093	18,688	32,781
February	17,854	6,400	24,254	24,598	48,852

18. It may be stated that this year (1936) while the average empty haulage for the whole year will probably be about 22.5%, the maximum in an up direction during March and April has been over 60%.

19. With these figures before us, we can now turn to a consideration of the actual costs of moving maize and cotton seed under the conditions in force this year.

MAIZE: NOTE: For the history of the maize industry and maize rate and cost of movement see paras 54 et seq. of the 1931 memorandum.

20. It has been laid down as a definition of the quota system that maize and cotton seed will only be carried when facilities are available which are provided and paid for by other traffic i.e. Class "Z" conditions.

21. In actual practice, it will be clear from the figures given in the memorandum on the Capacity of the Railway, dated 24th April, 1936, that existing facilities for "uncontrolled" traffic, due mainly to improvements in operating conditions, are still much in excess of requirements and that "peak" conditions have in fact applied and "facilities" contrary to Tariff Book regulations have been provided without extra charge for maize and cotton seed. In other words, the quota system has been so leniently applied that it has not prevented "peak" conditions during certain months with resultant extra cost, as it was originally intended to do.

22. The financial results for 1933-1935, however, show that the abandonment of the quota system to this extent can be carried on the present tariff basis without financial embarrassment. It will, however, be clear that, if necessary, the "peak" could be still further flattened out at some considerable saving, thereby freeing further sums for rates reductions. Whether such a step is desirable is doubtful, taking all things into consideration, because there is no reason to think that any existing rate is bearing unduly harshly on any industry or hindering development in any way, but, from the point of view of the commodities served, a general reduction in transport charges would no doubt be beneficial.

23. The present position, however, is not free from danger, in that while locomotives and wagons are available at the moment for the special service now being provided, the time will come when these will be required for uncontrolled traffic and the two industries concerned will not then be in a position to pay for additional rolling stock. However, in order that the position may be quite clear, Statement "A", based on modern figures, has been prepared, showing what the cost should be now on true "Z" conditions. This table is strictly comparable with Statement "B" of the 1931 memorandum, but allows for subsequent reductions in working costs and also for the considerable reduction that has taken place in the price of coal.

24. Statement "B" shows, as near as it can be estimated, the "out-of-pocket" cost of the service as actually provided in 1936, making due allowance for the additional rolling stock utilised over and above "uncontrolled" traffic and for excess empty haulage.

90

25. With these figures before us, it is now possible to compare revenue with cost. With the abolition of the Branch Line rates in December, 1935, but neglecting the temporary rebate, the average charge per ton mile for export maize is now 2.319 cents.

26. Comparing this with the average cost of the present service as given in Statement "B", we find that, in spite of the reduced cost of working, as compared with 1931, as shown in Statement "A", the present charges do not cover the out-of-pocket cost of providing the present service.

COTTON SEED:

27. Statements "C" and "D" show similar costs for cotton seed, while the average charge is 2.879 cents per ton mile.

28. The following courses are open to us:-

(i) To endeavour to maintain the present position, allowing "uncontrolled" traffic to pay for the "peak" service given to maize and cotton seed;

(ii) To insist on "Z" conditions and, if considered desirable, to reduce the rates on maize and cotton seed further;

or

(iii) To call upon maize and cotton seed to meet their full costs.

CONCLUSIONS:

29. With the information now before us, it is possible to come to certain definite conclusions:-

(i) Retention of the Quota System:

The introduction of the Quota System was necessary as one of the measures to save the Administration from bankruptcy. The complete abandonment of the system would re-introduce former dangers and difficulties and again increase cost at the expense of the other users of the Railway. The retention of the system, in the modified form now in force, will probably avoid undue danger, make such traffic welcome to the Administration and a benefit to other users of the Railway and yet permit of satisfactory rates reductions, not only to other traffic, but possibly even to maize and cotton seed as well.

(ii) Degree of Application:

It has been shown that the present application of the system has failed to eliminate "peak" movements during certain months. As, however, the cost in practice has not proved a hardship to other traffics, it would appear that the present ratio of uncontrolled to controlled traffic can be maintained, i.e. 3:2 on an export tonnage basis, or, taking the 1933 figures, 71:29 on a total ton mileage basis.

30. This means that as capacity is increased to deal with any increase in "uncontrolled" traffic, so "controlled" capacity will also be automatically increased proportionately. It is

considered that this "natural" increase in capacity will take care of the growth of either industry in a reasonable manner.

31. By the close of the present season, it is anticipated that the two crops will have been dealt with approximately as follows:-

		MAIZE	COTTON SEED
		Tons	Tons
January	Actual	13130	961
February	Actual	17854	6399
March	Actual	14444	13191
April	Actual	10198	15946
May		9000	15000
June		7000	15000
July		-	20000
August		-	3503
		71626	90000

It is considered that such a service is more than adequate and that there is no justification for providing a more costly service at the expense of other traffic.

32. While, perhaps, at the moment, a small further increase in capacity can be provided fairly cheaply by drawing on stabled wagons, a study of Statements "A", "B", "C" and "D" shows that costs for all movements above the peak increase very rapidly. Moreover, when additional capacity is required for "uncontrolled" traffic, the rolling stock now surplus to requirements and stabled would no longer be available. It follows that the maintenance of such an increased standard of service must eventually involve the purchase of rolling stock and the provision of other facilities on the line and at the Port quite outside the capacity of the two industries to pay for. Any policy which will tend to interfere with the present satisfactory level of expenditure and resulting operating ratio is regarded with great alarm, as it will inevitably retard seriously the policy and desire of the Administration to reduce rates as traffic grows.

33. The maize industry is now adequately organised on the present basis and it is recommended that the cotton seed industry do likewise. This can be done without any greater expense than was incurred by the maize industry by:-

(i) Increasing storage at ginneries, if necessary;
and
(ii) Providing storage at private sidings at main despatching stations.

The cotton seed industry already has considerable advantage over the maize industry at the Coast as regards shipping arrangements and the need for storage at the Port.

RELATIVE APPLICATION OF QUOTA SYSTEM TO MAIZE AND COTTON SEED:

34. It has been the endeavour of the Administration in allotting quotas to distribute evenly and equitably between the two industries the difficulties and costs arising from the Quota System.

Maize is usually ready for shipment early, but prices in the early months are not so good as later. Also, the maize at that time is frequently wet and re-conditioning costs are incurred. However, being ready, maize, in the interests of both industries is forced out early. Both maize and cotton seed would like full allotments in February, March, April and May.

Both maize and cotton seed deteriorate and lose value with storage.

The balancing of all these factors is difficult, controversial and leads to friction, but the decisions of the Administration have been loyally accepted until this year.

If the Management is to continue to undertake this duty, it will be necessary again to lay down the conditions imposed in Minute 792 of the meeting of 1st/2nd March, 1[illegible] viz:

> "5. With regard to the operation of the quota system, it was felt that, as a result of experience during the present season, more efficient results would be obtained if the allocation of tonnage was left directly in the hands of the Railway Administration. The General Manager explained that he could only accept a responsibility of this nature if he were assured of the complete co-operation of both industries and the full support of Council. The problem of allocating trucks for the movement of bulk commodities, when the capacity was not equal to the demand, was an exceedingly difficult one and to make the best arrangements for both industries required the complete co-operation and assistance of all concerned."

35. The above arrangements are based on equality of treatment. The cotton seed industry, however, claims a preference in that it is part of the cotton industry. This issue cannot be evaded any longer and must be settled definitely once and for all by Council, one way or another.

The view of the Administration is that cotton seed must not be correlated with cotton lint, otherwise the cotton industry as a whole is shown to be a non-paying one.

The true position is that there are two commodities carried by the Railway able to pay "Z" rates only, i.e. maize and cotton seed. <u>All other paying traffic</u>, each according to its ability, helps to make up the shortfall. <u>All</u> other users of the Railway, therefore, help to bear the burden according to their ability and capacity and <u>all users benefit</u> from the maize and cotton seed traffic, however much it increases, <u>provided the rates paid approximate out-of-pocket costs</u> and "Z" conditions are reasonably applied. This, it is [illegible], is the answer to the question [illegible] in para. 2 of this [illegible].

RECOMMENDATIONS:-

(1) That the Quota System be retained.

(2) That the present ratio between "controlled" and "uncontrolled" traffic be maintained.

(3) That in fixing allocations, neither maize nor cotton seed be given preferential treatment; i.e. that available "Z" class traffic capacity is to be divided between maize and cotton seed pro rata to the estimated total tonnages of the two crops, due regard being paid to the date at which each crop is expected to become available for export.

(4) That the question of reducing rates on maize and cotton seed, when carried under present conditions, be considered as a rates problem along with other commodities.

(5) That Council fixes the allocation as between the two industries, or, alternatively, that the Administration be called upon to do so in close consultation with the two industries and subject to the conditions laid down in Minute 792.

Ref. No. A.4/224.

GENERAL MANAGER'S OFFICE,
NAIROBI.

3rd June, 1936.

94

STATEMENT "A".

ESTIMATED OUT-OF-POCKET COSTS OF TRANSPORT OF EXPORT MAIZE UNDER "Z" RATE CONDITIONS - 1935.

1 9 3 5	Total Railway Expenditure	Goods Proportion	Cost per 1000 ton miles
	£	£	Cents
Trip Allowances of Running Staff	40,359	32,849	207.928
Fuel	120,030	97,696	618.399
Water	12,089	9,840	62.285
Running Stores	5,616	4,571	28.934
Maintenance Locos.	64,699	52,660	333.329
Maintenance Wagons	50,461	50,461	319,409
Maintenance Brake Vans) " Caboose)			See footnote
Unloading Charges. (90 cents per ton)			157.343
			1,727.627

1935	(Average receipt per ton mile	2.678 cents	
	(Average haul	572 miles	
December 1935	(Average receipt per ton-mile	2.381 cents	(Subsidy not treated as rate reduction).
	(Average haul	575 miles	

In order that the costs may be strictly comparable with 1930 costs, no provision has been made in respect of these items as they were not included in the 1930 costs.

STATEMENT "B".

ESTIMATED OUT-OF-POCKET COSTS OF TRANSPORT OF EXPORT MAIZE UNDER CONDITIONS OPERATING IN 1936.

(Based on 1935 expenditure figures plus 50% to cover additional empty haulage.)

1 9 3 5	Total Railway Expenditure	Goods Proportion	Cost per 1000 ton miles
	£	£	Cents
Trip Allowances of Running Staff	40,359	32,849	311,692
Fuel	120,030	97,696	927.[illegible]
Water	12,089	9,840	93,428
Running Stores	5,616	4,571	43.401
Maintenance Locos	64,699	52,660	199.994
Maintenance Wagons	50,461	50,461	479.114
Maintenance Brake Vans) " Caboose)	-	-	-
Unloading Charges (90 cents per ton).			157.343
			2,512.771

(Average receipt per ton mile 2.319 cents (Subsidy not treated as rate reduction)
(
(Average haul 583 miles

NOTE:

As rolling stock was available to enable traffic to be moved on the above basis, no Loan or Renewal Fund charges for locomotives and wagons have been included.
To arrive at a more correct estimate of actual cost, this cost, amounting to approximately 0.5 cents per ton mile should be added.

STATEMENT "C".

ESTIMATED OUT-OF-POCKET COSTS OF TRANSPORT OF EXPORT COTTON SEED AT "Z" RATE CONDITIONS - 1935.

1 9 3 5	Total Railway Expenditure	Goods Proportion	Cost per 1000 ton miles	
	£	£	Cents	
Trip Allowances for Running Staff	40,359	32,849	259.910	
Fuel	120,030	97,696	772.999	
Water	12,089	9,840	77.856	
Running Stores	5,616	4,571	36.168	
Maintenance Locos.	64,699	52,660	416.661	
Maintenance Wagons	50,461	50,461	399.261	
Maintenance Brake Vans / " Caboose			-	See footnote
Loading and Unloading at Lake Ports (Average cost per total ton mile of all cotton seed handled)			22.181	
Unloading Charges (90 cents per ton)			111.524	
			2,096.560	

1935	(Average receipt per ton mile	2.821 cents
	(Average haul	807 miles

In order that the costs may be strictly comparable with 1930 costs no provision has been made in respect of these items as they were not included in the 1930 costs, but relative loading of cotton seed is allowed for.

STATEMENT "D".

ESTIMATED OUT-OF-POCKET COSTS OF TRANSPORT OF EXPORT COTTON SEED AT CONDITIONS OPERATING IN 1936.

(Based on 1935 expenditure figures plus 50% to cover additional empty haulage).

1 9 3 5	Total Railway Expenditure	Goods Proportion	Cost per 1000 ton miles
	£	£	Cents
Trip Allowances of Running Staff	40,359	32,849	389.865
Fuel	120,030	97,696	1,159.499
Water	12,089	9,840	116.784
Running Stores	5,616	4,571	54.252
Maintenance Locos.	64,699	52,660	624.991
Maintenance Wagons	50,461	50,461	598.891
Maintenance Brake Vans) Maintenance Caboose)		-	See footnote.
Loading and Unloading at Lake Ports. -(Average cost per total ton mile of all cotton seed handled)			22.181
Unloading Charges (90 cents per ton)			111.524
			3,077.987

First Quarter 1936 (Average receipt per ton mile .... 2.879 cents
(Average haul .... 790 miles

NOTE: As rolling stock was available to enable traffic to be moved on the above basis, no Loan or Renewal Fund charges for locomotives and wagons have been included. To arrive at a more correct estimate of actual cost, this cost, amounting to approximately 0.5 cents per ton mile should be added.

K.U.R.& H. 543

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL

SUBJECT

FINANCIAL RESULTS OF WORKING, JANUARY-MAY, 1936.

PARTICULARS AND REMARKS

The financial results of working the Services for the first five months of 1936, based on the audited figures for January to April and the approximate figures for May, were:-

		£
Railway Revenue		1,230,036
Railway Ordinary Working Expenditure		474,128
Balance		755,908
Contributions to Renewals Fund		139,546
Balance		616,362
	£	
Loan Fund Charges	261,786	
Write-off of Dead Assets	15,016	
Rebate on Maize	16,207	
	293,009	
LESS:		
Miscellaneous Receipts (Net Revenue Account)	15,476	277,533
Balance (Surplus)		338,829
Harbours (Surplus)		37,185
Total Surplus, January - May, 1936		£376,014

as compared with a surplus of £311,945 for the corresponding period of 1935. (Railway surplus £291,930 and Harbours surplus £20,015).

2. The Railway Revenue was £348,371 in excess of five months' proportion of the annual estimate and £100,857 in excess of the corresponding earnings for 1935. Based on an average of the last five years, the actual Railway Earnings were £213,346 in excess of the expected earnings for the first five months of this year.

3. Ordinary Working Expenditure was £19,638 in excess of the estimate for five months and £15,753 in excess of the expenditure for the corresponding period of 1935.

4. The tonnage of Imports moved from the Coast at 127,095 tons shows an increase of 25,259 tons as compared with the first five months of 1935, while Exports during January - May, 1936, were 246,988 tons or 58,630 greater than in the 1935 period.

5. The ratio of Ordinary Working Expenditure to earnings was 38.55% as compared with the ratio of 51.55% represented by the approved Estimates for 1936 and 40.59 for the corresponding period of 1935.

Ref. No. E.F. 128/36.

GENERAL MANAGER'S OFFICE, NAIROBI.

3879 NSF 99

TRANSPORT

KENYA-UGANDA

NO. 37

RECEIVED
12 JUN 1936
C. O. REGY

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

14th May, 1936.

Sir,

I have the honour to enclose, for your information, copies of certain important memoranda recently circulated to Railway Advisory Council, which may be not without interest to your Advisers.

2. A copy is being sent under separate cover of the printed Minutes of the Railway Advisory Council and the Harbour Advisory Board, from the years 1931 and 1930 respectively to date, for record in the Colonial Office.

3. I propose in future to transmit copies of such further memoranda as may be considered to have a permanent value, and of the Minutes of the Council and the Board as and when they have been printed.

I have the honour to be,

Sir,

Your most obedient, humble servant,

[signature]

HIGH COMMISSIONER.

Enter (?)

THE RIGHT HONOURABLE
J. H. THOMAS, M.P.,
SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET, S.W.1.

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL.

THE CAPACITY OF THE RAILWAY.

In para. 4 of Minute No. 1007, Council recorded the following:-

"While noting the position as explained by the General Manager, the Council considered that the whole question of the future capacity of the Railway Administration's locomotives, rolling stock equipment and running personnel requires examination and asked that the matter should be included in the agenda for the next meeting."

2. As requested, a careful examination of the position has been carried out and the following memorandum is circulated for the information of members.

3. The last review of the capacity of the Railway took place in 1929 and 1930, and, based on the prospects as they appeared at that time and on the then accepted policy of meeting maize and cotton seed requirements to a very large extent, extensive programmes for additional rolling stock were submitted for approval.

4. After much consideration, these programmes were considerably curtailed by Council and the following list of locomotives and wagons was approved and ordered on the dates shown:-

2 Garratt Locomotives 6 4-8-0 " 2 Shunting Tank Locomotives	October, 1929.
115 Covered Goods Bogies 40 High-sided Bogies 200 Covered Goods Shorts 28 Tank Wagons 10 Brake Vans 50 4-wheeled Fuel Trucks 6 Horse Boxes	December, 1929.
4 Shunting Tank Locomotives	April, 1930
80 Covered Goods Bogies 2 Brake Van Bogies 10 Oil Tanks 20 High-sided Bogies 6 Water Tanks 12 Brake Vans 4-wheeled	April, 1930.
50 Covered Goods Bogies	August, 1930
10 Garratt Locomotives	September, 1930

5. The advent of the world-wide trade depression in 1930 and subsequent years completely negatived the earlier forecasts of development and, on economic grounds, forced a readjustment of the maize and cotton seed policy in an attempt to retain the very low export rates granted to those two commodities.

6. In consequence of the changed conditions, some 43 locomotives, all of the smaller types - E.B. 1 and E.B. 2 - and 1052 units of wagon stock were stabled in 1931 and 1932. In order to reduce working costs to a minimum most of the rolling stock stabled was in need of heavy repair and considerable further deterioration has, of course, since taken place.

7. At the end of 1935, to meet probable requirements in 1936, instructions were issued to bring back into service 71 covered bogies in reasonable state of repair and requiring therefore a minimum amount of work to be done upon them.

8. In addition, in February of this year, orders were also issued to bring back into service 75 open bogie vehicles (subsequently reduced to 40) for use at the Port, which will help to reduce the turn round time of more valuable covered stock.

9. No locomotives have been brought back into service, but 37 stabled locomotives were written off the books in accordance with Minute 908 of the 12th/13th June, 1935.

STABLED STOCK.

10. The following, therefore, is a complete list of stabled rolling stock at the present time:-

Locomotives:

6 E.B. 1 (These engines are in a serviceable condition).

Wagons:

	Vehicles	Units.	
C.G.B.	303	606	
C.G.	3	3	
L.S.B.	78	156	x
H.S.B.	40	80	
B.W.H.B.	14	28	(16 loaned to Port)
L.S.	152	152	
R.T.	77	77	
H.S.	1	1	
	739	1245	

x Excludes 75 vehicles in course of withdrawal for use at Port.

It may be stated that all these vehicles require extensive repair before they can be brought into service.

102

CAPACITY:-

11. The capacity of the Railway depends broadly on three things:-

(i) Locomotives and Locomotive Running Staff;
(ii) Wagons;
(iii) Capacity to pass trains, depending upon traffic operating staff and trains crews, crossing stations, and station staff.

(i) Locomotives and Locomotive Running Staff:

In 1929, before the new locomotives were ordered, the total capacity of main line locomotives, in terms of tractive effort, was 2,944,500 lbs. at 75% boiler pressure.

With the advent of the new locomotives, but deducting those stabled, the total tractive effort became 2,725,800 lbs, or a decrease of 7.4%.

With the improvement in the condition of locomotives and in their more efficient use, it has been found possible to deal easily with 365,309,826 nett ton miles, as against 356,749,957 in 1929, or an increase of 2.4% of work done, notwithstanding a decrease in the tractive effort available.

It may be stated that, with the extension of the caboose system and increasing the train capacity as described later, the present locomotivecapacity is capable of dealing with a further increase on present traffic.

With regard to Locomotive Running Staff, by careful attention to training, a reserve of passed firemen has been created, capable of utilising fully all locomotives that can be made available for traffic working.

(ii) Wagon Working:

Similar improvements in operating efficiency have influenced the present wagon position. In 1929, the highest average wagon movement was attained in May, when each wagon in traffic was hauled 43.45 miles per 24 hours. The highest figure for 1935 was reached in March, when each wagon moved 56.42 miles. In consequence, it can now be stated that the wagon position is not the present limiting factor of Railway capacity.

(iii) Train Capacity:

Apart from operating staff, train capacity depends upon crossing stations and distances between stations. Following upon the depression, steps were taken to close every possible station. In consequence, it has been found that the capacity to run further trains depends now not on locomotives nor wagons, but on the number of crossing stations at suitable intervals and in this respect the most heavily worked section between Nairobi and the Coast controls the situation.

The capacity of this section is governed by the longest (in point of time) signalling section, and this is the stretch from Mtito Andei to Masongaleni - 77 minutes. Theoretically, a signalling section of this length should permit a total number of 18 trains to be passed each 24 hours, but factors such as engine and train crew working, availability of traffic, varying scheduled speeds of trains, unequal time lengths of other sections, etc., preclude the possibility of attaining theoretical maximum capacity.

In practice, it is found that, after allowing for service trains, not more than ten public traffic trains can be satisfactorily worked, and, as on four occasions each week one path is taken up in each direction by the running of the mail train, the freight train capacity is reduced to four trains per day each way and one extra on each day that the mail is not running.

From actual experience, it can be established that during the export season there is a flow of empty wagon units (consisting principally of oil tanks) to the Coast, amounting to 12 units daily. During the period for which the figures have been taken out the average tare weight of these units was 8 tons. For the same period the average nett load per wagon unit was 9.4 tons. Taking these figures as a basis and allowing 3 units empty at 9 tons each for the brake van and caboose vehicles, a freight service as given in the preceding paragraph would be capable of transporting to the Coast per week a tonnage of:-

	Tons
28 Garratt loads (1.18% ruling grade loading) (62 units/759 tons) at 432.4 tons nett	12,107
3 Mikado loads (1.5 ruling grade loading for mail speed) (34 units/504 tons) at 291.4 tons nett	874
Total per week	12,981

NOTE: In this calculation the empty goods units already referred to have been assumed to be included on the Garratt loads.

From these figures it may be concluded that with the signalling facilities provided at present the capacity of the Railway to move tonnage to the Coast is at the rate of 55,661 tons per month of thirty days. It is not, however, considered advisable to regard this figure as one which could be maintained month after month. It makes no allowance for interruption of service through washaways, derailments, etc., nor does it take into account the loss of freight capacity arising from the running of additional passenger trains. For such contingencies a deduction of 10% would be reasonable and, on this assumption, the capacity may be taken as 50,000 tons per 30 day month.

12. With the object of determining what portion of the whole downwards traffic would normally be absorbed by non-controlled traffic, an examination has been made of the monthly tonnages which have been carried for the three record years - 1930, 1933 and 1935 - and from these figures, graphs have been prepared showing:-

(a) the maximum tonnages;
(b) the average tonnages

of the principal commodities in each month of the year, the balance of all other non-controlled traffic being included under the heading of "Other Commodities".

13. The highest tonnage of non-controlled traffic recorded in any one month during the three years in question was 23.755 (in March, 1935). In these territories, however, the peak of production for nearly all the principal exports occurs within a

period of three to four months, and, theoretically, there is nothing to prevent the maximum monthly output of commodities occurring in one particular month. If this had happened during the three years under review the maximum monthly demand for transport for non-controlled traffic would have been:-

	1930	1933	1935
	Tons	Tons	Tons
Cotton	4163	11814	9847
Coffee	4665	4445	5695
Sisal	1395	2125	3194
Soda	6657	4669	5536
Sugar	363	2778	2213
Other Commodities	6821	4038	6534
	24064	29869	33019

To these figures should be added the traffic which is taken to Mombasa for local consumption or distribution (other than export). This is approximately 600 per month and bring the total possible non-controlled traffic to 33,619 tons. Making reasonable allowance for the probability of a general increase in traffic, it would appear that the organisation of the Railway to deal with down non-controlled traffic should be of a standard to permit the movement of 40,000 tons per month, while, as indicated in paragraph 11 (iii) the practical maximum capacity of the track facilities now available is 50,000 tons per month.

14. In practice, however, on the present scale of production, the probability of the peak of production of all commodities occurring in any one month is so remote that it can safely be ignored. It may, therefore, be safely stated that the present capacity of the Railway in a downward direction is some 30,000 tons of non-controlled traffic and 20,000 tons of controlled traffic per month and this has been confirmed by our experience during the present season.

15. It will be clear that any reduction in the total uncontrolled traffic releases an equivalent for controlled traffic and the figure quoted above is therefore a minimum. As it is impossible to foresee accurately what fluctuations will occur in non-controlled traffic, it is equally impossible to say exactly what additional tonnage of controlled traffic can be handled each month.

16. As members are aware, the total controlled traffic indicated to the two industries this year has been 20,000 tons per month. In actual practice, it has been found possible to increase this total by over 20% when necessary, and in March of this year the total excess was as much as 37.5%. These figures compare very favourably with the tonnages allotted in 1933, which are shown in the following table:-

		Tons
December	1932	15,893
January	1933	11,700
February	1933	14,469
March	1933	10,900
April	1933	13,299
May	1933	15,675
June	1933	14,300
July	1933	15,540
August	1933	14,840
September	1933	15,415
October	1933	12,849
November	1933	15,120
	Total	170,000

17. From these figures it will be seen that the tonnage capacity for uncontrolled traffic is ample and is likely to prove so for some years to come. As regards controlled traffic, while the capacity has been increased by over 50% since 1933, the industries concerned would like to see their traffics handled more expeditiously.

18. The economic arguments against meeting their demand need not be repeated, particularly as the main bulk of both crops is being cleared in approximately six months, but it will be interesting to compare the present position as between low-rated and high-rated commodities with the position as illustrated in the Annual Reports for 1930 and 1931. The following table makes the position quite clear:-

106

"A".

YEAR.	Maize.		Cotton Seed.		Wheat.		Total in millions of ton miles.	Percentage of total public traffic.
	Average rate 2.2 cents per ten mile. Temporarily 1.35 cents.		Average rate 3.08 cents per ton mile.		Average rate 3 cents per ton mile.			
	Tons.	Ton Miles.	Tons.	Ton Miles.	Tons.	Ton Miles.		
1922	19,856	8,935,200	2,520	1,859,700	27	12,150	10.8	Not available.
1923	43,735	20,695,450	10,014	7,690,332	9	4,050	28.1	
1924	59,336	29,074,640	21,155	15,612,360	92	41,400	41.7	
1925	61,238	31,261,380	22,309	16,464,042	29	13,050	47.7	
1926	46,499	24,644,470	35,563	26,245,494	3	1,350	50.9	
1927	89,383	49,160,650	29,957	22,108,266	16	7,200	71.2	29.3
1928	44,648	24,556,400	45,845	33,835,610	6,838	3,077,100	61.4	23.0
1929	40,185	22,101,750	68,069	50,284,922	3,267	1,470,150	73.8	24.5
1930	119,766	65,871,300	35,910	26,501,580	10,786	4,855,700	97.2	35.0
1931	94,315	51,873,250	49,610	36,612,180	3,134	1,410,300	89.9	[illegible]
1932	34,510	18,980,500	59,482	43,897,716	11	4,950	62.9	24.6
1933	49,598	27,278,900	84,768	62,558,784	-	-	89.8	29.1
1934	26,107	14,358,850	40,422	29,831,436	-	-	44.2	15.7
1935	63,663	35,014,650	55,669	41,083,722	-	-	76.1	22.8

NOTE. - A small quantity of Barley and Potatoes move at 3 cents per ton mile.

19. From these figures it will be seen that, while the ton mileage of high-rated commodities has increased, the ton mileage of low-rated commodities has also increased in equal proportions and the relative position is still much the same, though not so high as it was in 1930 and 1931.

20. One further aspect of the matter should be mentioned. During the busy export season the down tonnage always exceeds the up tonnage by a considerable margin. This will be clear from the two tables reproduced below:-

IMPORT TRAFFIC FORWARDED FROM THE COAST.

1935	Tons
January	15,937
February	21,460
March	33,392
April	16,780
May	11,394
June	16,5[illegible]
July	11,584
August	[illegible],409
September	27,222
October	14,06[illegible]
November	25,589
December	18,334
Total for the Year	245,743
1936	
January	26,396
February	28,675
March	24,21[illegible]

EXPORT TRAFFIC RECEIVED AT THE COAST.

1935	MAIZE	COTTON SEED	TOTAL OF MAIZE AND COTTONSEED	OTHER TRAFFIC	TOTAL ALL TRAFFIC
	Tons	Tons	Tons	Tons	Tons
January	8,204	1,472	9,676	16,112	25,788
February	14,604	6,819	21,423	21,583	43,006
March	4,469	9.181	13,650	23,755	37,405
April	13,683	10,198	23,881	21,927	45,808
May	8,011	9,196	17,207	21,418	38,625
June	2,084	7,343	9,427	17,536	26,963
July	3,804	5,447	9,251	16,566	25,817
August	402	2,039	2,441	15,325	17,766
September	2,089	680	2,769	20,132	22,901
October	691	1,369	2,060	20,698	22,758
November	882	836	1,718	19,383	21,101
December	4,740	1,089	5,829	22,714	28,543
Total for Year	63,663	55,669	1119,332	237,149	356,481
1936					
January	13,130	963	14,093	18,688	32,781
February	17,854	6,400	24,254	24,598	48,852
March	14,445	13,191	27,636	29,472	57,108

21. In practice, the empty running amounts to well over 50% and in many cases over 60%. Any increase in downwards capacity will still further increase empty working in the upward direction.

22. It follows from what has been stated that if the policy of granting rates reductions when justified is not to be seriously interfered with, the cost of working traffic paying direct haulage costs or something very little greater, must still be carefully controlled by the condition printed in the Tariff Book, viz:

> "These rates are strictly subject to the condition that no special facilities will be provided and that consignments will be accepted and conveyed only as and when rolling stock and other facilities are available."

23. As a result of this examination, it is clear that there is no immediate justification for an expenditure to increase capacity and further than when an increase in traffic does call for an increase in capacity, it is probable that the first step necessary will be to open further crossing stations between Nairobi and the Coast.

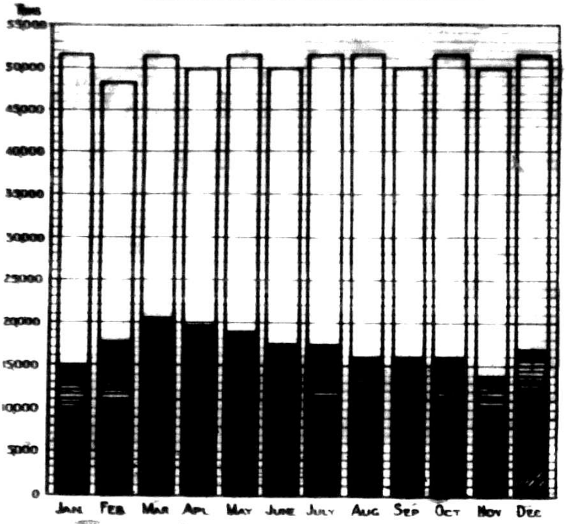
24. In connection with this matter, correspondence with the High Commissioner for Transport re the movement of cotton seed is enclosed for information.

Ref. No. A.9/563.

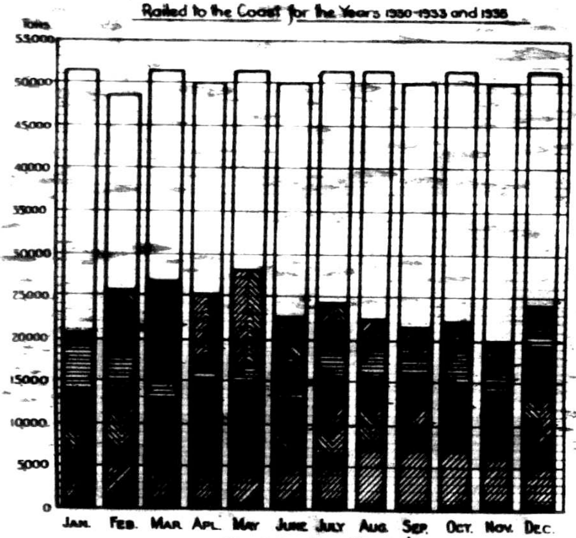
GENERAL MANAGER'S OFFICE,
NAIROBI.

24th April, 1936.

CAPACITY OF THE RAILWAY



Maximum Capacity 1936
and
Average Monthly Tonnages of Uncontrolled Traffic
Railed to the Coast for the Years 1930-1933 and 1936



Maximum Capacity 1936
and
Maximum Monthly Tonnages of Uncontrolled Traffic
Railed to the Coast for the Years 1930-1933 and 1935

Controlled Traffic
Cotton
Coffee
Sisal
Soda
Sugar
Other Commodities
Local Traffic

COPY.

GENERAL MANAGER'S OFFICE,
NAIROBI.

Ref. No. A.9/55.

29th February, 1936.

THE HIGH COMMISSIONER FOR TRANSPORT.

COTTON SEED - RAILAGE FACILITIES.

With reference to Minute 1007 of the last meeting of the Railway Advisory Council and to the telegrams exchanged with the Joint High Commissioner, I have to advise the High Commissioner that I have now completed the investigation into the capacity of the Railway to deal with maize and cotton seed, promised to the Railway Advisory Council.

2. The High Commissioner will remember that the introduction of the quota system for these two commodities was the direct result of the heavy expenditure previously incurred by the Administration in the movement of these two commodities for which a very low revenue return was received and which was largely responsible for the serious financial position of the Administration from 1929 onwards.

3. As a result of the investigation that took place over the next three years, it was finally agreed in 1932 that these two traffics, paying a rate very little above what we called "direct haulage cost", should be carried strictly subject to the condition that no special facilities would be provided and that consignments would be accepted and conveyed only as and when rolling stock and other facilities were available. On this basis an allotment for twelve months, commencing with December, 1932, and ending with November, 1933, was published, as shown below, giving a total capacity, spread over the full twelve months, for what we have termed "Z" traffic of 170,000:tons:-

		Tons
December	1932	15,893
January	1933	11,700
February	1933	14,469
March	1933	10,900
April	1933	13,299
May	1933	15,675
June	1933	14,300
July	1933	15,540
August	1933	14,840
September	1933	15,415
October	1933	12,849
November	1933	15,120
	Total	170,000

This gives an average capacity for traffic of this type of just over 14,000 tons per month.

4. In considering our allocations on the same basis for 1936, in July and August of last year, it was anticipated that the tonnages of maize and cotton seed for export would be

approximately equal. As in previous years, however, we hoped to take advantage of the fact that maize is ready for shipment rather earlier than cotton seed, although market prices are not then usually so favourable as in later months. Every effort therefore, was made, in cooperation with the industry, to expedite the early movement of maize, in order to relieve the congestion of this type of traffic in the interests of both maize and cotton seed during the later months of the year. On this basis the allotments indicated to the industries were as follows:-

Month	Year	MAIZE. Tons	COTTON SEED. Tons.
December	1935	No restriction	-
January	1936	20,000	No restriction
February	1936	15,000	6,000
March	1936	10,000	10,000
April	1936	10,000	10,000
May	1936	10,000	10,000
June	1936	10,000	10,000

5. Unfortunately, owing to abnormally wet weather, it was not possible for the maize industry to make full use of their allotment in January, nor was it possible for the cotton seed industry to take advantage of the unrestricted movement of cotton seed during that month. As a result, on the allotments made it is anticipated that by the end of June, some 67,000 tons of maize will have been exported and 46,000 tons of cotton seed. The final tonnage of maize to be exported is not yet known, but a total for the year, varying from 70,000 to 90,000 tons has been mentioned, while the generally accepted figure for cotton seed is 90,000 tons.

6. Assuming that the total export for maize will not be much more than 70,000 tons, it may be expected that the allotments for cotton seed in July and August can be 20,000 tons, but I was waiting for more definite information before finally giving these figures to the industry. Assuming, however, that these figures stand, it will be seen that, on the present basis, the total crop in each case will have been dealt with in a period of just over six months. In view of the rate charged for the movement of these commodities, it is considered that this is all that can reasonably be expected. I would, however, point out to the High Commissioner that, while the average monthly allotment for "Z" traffic in 1933 was 14,000 tons, the allotment for the present year is 20,000 tons, or even 22,000 tons. In other words, without increasing facilities or expenditure, the capacity of the Railway for moving this type of traffic, by greater operating efficiency, has been increased in three years by approximately 50 per cent.

7. After discussing the present position very fully with my heads of departments, I have come to the conclusion that if no untoward circumstances arise, we shall be able to increase the present allotments to cotton seed by 1,000 to 2,000 tons, as mentioned above. The cotton seed industry may, therefore, anticipate that their allotments during March, April, May and June will be increased, certainly to 11,000 tons, with every possibility of this proving to be 12,000 tons. This improvement in the allotment can be offered without altering in any way the principles which have been laid down by the Railway Advisory

Council and accepted by the High Commissioner in connection with the facilities to be given to this type of traffic. If, however, the cotton seed industry desire to increase their export of cotton seed above the rate mentioned, it will be necessary to incur extra expenditure.

8. The increase possible is limited to a total of 5,000 tons per month for the next four months above the present allotment. If this additional capacity is desired, the following additional expenditure will be incurred and would, therefore, have to be met by the industry:-

Locomotive Department:

Owing to the present-day condition of the locomotives, it is anticipated that the extra mileage can be obtained with the available locomotives. As regards staff, by making full use of passed firemen as drivers, the extra locomotive running staff required to deal with the additional traffic can be covered at a cost of £24 per month.

Rolling Stock:

In December last, in view of the prospects of additional traffic during the year, I gave instructions for the re-introduction into traffic of all the covered goods wagons then stabled, which were reported to be in a fair state of repair and therefore required the minimum of expenditure before they could again be brought into service. As a result, some 140 units are now coming into service, which will be available for helping to deal with the additional traffic. Also, by relieving the open line of certain services at the Port, which will have to be paid for out of Port funds, 40 additional units will be made available. In order to deal with the additional tonnage in excess of the 20,000 tons mentioned in paragraph 7, a further 54 units will, however, have to be taken out of our stabled stock and brought into use. All these vehicles will require heavy repairs, costing approximately £1,500.

9. It will be appreciated by the High Commissioner that none of this expenditure would be necessary for meeting the ordinary traffic requirements of the Administration for the next year or two. On the other hand, general traffic will undoubtedly receive some benefit from this expenditure and I consider, therefore, that £1,000 would be a fair debit against the cotton seed industry. Spread over four months, this gives a monthly expenditure of £250, which, it will be recognised, will be non-recurrent during the next two or three years, should cotton seed again require additional facilities.

10. Running Staff:

It is estimated that additional guards and staff for opening two additional stations will cost £93 per month.

Running Costs:

It is anticipated that some 14 additional trains per month will be necessary to deal with this traffic, resulting in at least 8,000 empty train miles in the return direction. As some empty haulage is always inevitable, it would be fair to debit 6,000 empty train miles to the cotton seed industry. This is estimated to cost £534 per month.

11. These costs may now be summarised as follows:-

Re-conditioning of Rolling Stock ... £250 per month (non-recurrent)

Additional Staff .... £117 per month

Running Costs .... £534 per month

Total £900 per month for 4 months.

This gives a total cost of £3,600 for a total extra tonnage above the present allotment of 20,000 tons.

12. I have also ~~explained~~ examined the possibility of making use of the Tanganyika Railways system in this connection. On enquiry, the Acting General Manager, Tanganyika Railways, tells me that he is prepared to take any cotton seed that we can hand to him loaded in trucks at Mwanza at a rate of Shs. 22/40 per short ton. This is equivalent to Shs. 22/75 per long ton, which is the present rate for the export of cotton seed from Uganda. As this Administration would have to be reimbursed the cost of transport from, say, Kampala and Bukakata to Mwanza, and as this cost could hardly be less than the proportion of the rate now received for cotton seed from Mwanza to Kilindini, i.e. approximately Shs. 6/00 out of Shs. 22/75, it will be clear that the extra cost to the industry for cotton seed shipped in this direction would be not less than Shs. 6/00 plus the additional handling charges that will be necessary at Port Bell and at Mwanza to cover the loading of trucks. As Tanganyika Railway trucks are some distance from the pier, these costs would not be negligible and may amount to Shs. 2/00 per ton or even more. In addition, this Administration would be called upon to re-commission the s.s. "Nyanza", at a cost of over £100. The capacity of the "Nyanza" to deliver cotton seed at Mwanza would be limited to a total of 3,000 tons per month.

In the circumstances, I think the High Commissioner will agree that further consideration of this aspect of the matter is not required.

13. The above, I hope, makes the position sufficiently clear to enable the Uganda authorities to make a decision with regard to the alternatives before them. Summarised, these are:

(i) An increase in the quota of 1,000 tons and possibly 2,000 tons without extra charge;

(ii) An increase of 5,000 tons in the present allotments at a cost of £900 per month for four months, or a total of £3,600.

14. Steps have already been taken to expedite the movement of traffic in every possible direction, which I hope will bring about the realisation of the first alternative. If, however, the second alternative is to be adopted, early advice of Uganda's decision is essential, in order that the necessary steps can be taken to repair the vehicles required and to engage staff.

15. I would recommend, therefore, that a copy of this report be sent to the Joint High Commissioner in Uganda, with the request that a telegram should be sent to me as soon as a decision has been reached.

(Signed) G.D. RHODES.

GENERAL MANAGER.

114

K. U. R. & H. 543

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL

SUBJECT

THE QUOTA SYSTEM.

PARTICULARS AND REMARKS

The accompanying memorandum has been submitted by the Government of Uganda.

2. The final draft of this memorandum only reached the General Manager's Office on May 2nd and there has not been time, therefore, to prepare a comprehensive summary of the position.

3. The attached Notes, however, may assist Council in considering this very important problem. It is suggested that this item should be discussed immediately after Item 17 on the agenda, dealing with the Capacity of the Railway.

Ref. No. A.9/[illegible]/II.

GENERAL MANAGER'S OFFICE,
NAIROBI.

[illegible] May, 193[illegible].

S.M.P. C.1806.

CONFIDENTIAL.

MEMORANDUM ON THE ALLOCATION OF TRAFFIC QUOTAS BETWEEN MAIZE AND COTTON SEED.

Submitted by the Government of Uganda.

It may be stated at the outset that the object of this memorandum is not to impugn the principles governing "Z" rate traffic, nor to question the need for limiting the volume of low-priced traffic to be carried by the Railway Administration through specific allocations of space in any one month and over the period of the year's working. These principles were adopted after prolonged debate and negotiations and their review would only be justified by considerations of over-riding importance, which, so far, have not supervened. The present season, however, covering, as it does, concurrent and record outputs of both maize and cotton seed, has disclosed certain factors in the practical application of these governing principles which, in the opinion of the Uganda Government, merits discussion with a view, if possible, to ensuring that a recurrence of similar conditions may be dealt with on agreed and more comprehensive lines.

So far as the Administration's equipment and personnel are affected, it is understood that a separate item on the agenda will deal with the existing position in respect of locomotives, rolling stock and running staff. This memorandum, therefore, is confined to a statement of certain considerations which, it is submitted, should be given due weight in allocating space to the two commodities and in examining the possibility of utilizing alternate methods of evacuation on occasions of emergency.

3. As a result of difficulties arising out of the application of the "Z" rates, it was decided in 1932 that a definite tonnage should be allotted to each of these commodities annually, the aggregate not to exceed 170,000 tons. The allocation for 1932-1933 was based on the maximum tonnages of maize and cotton seed which had been exported up to that time. In succeeding years, the allocation has been dependent on the amounts of these commodities which were likely to be offered, as in no year since then has the combined tonnage of the two commodities approached 170,000 tons.

The present season, however, presented exceptional features, viz: anticipated record crops in both commodities; a relatively low price for lint and a relatively high price for seed - features which could not be foreseen greatly in advance and which were certainly not considered by the Railway Administration, as regards cotton seed, in their original allocations for the current season, which were as under:- (and which for purposes of comparison are set against the corresponding allotments made for the 1933 crop)

1933	MAIZE Tons	COTTON SEED Tons
1932		
Dec.	5,000	
1933		
Jan.	12,000	-
Feb.	11,500	3,000
Mar.	5,000	6,000
Aprl.	5,000	8,000
May	5,000	10,600
June	6,000	8,000
July	1,500	14,000
Aug.	-	11,400
Sept.	-	-
Oct.	-	-
Nov.	-	-
Total 12 months	51,000	61,000

1936	MAIZE Tons	COTTON SEED Tons
1935		
Dec.	No restriction	-
1936		
Jan.	20,000	No restriction
Feb.	15,000	6,000
Mar.	10,000	10,000
Aprl.	10,000	10,000
May	10,000	10,000
June	10,000	10,000
Total 6 months	75,000	46,000

4. It is true that, as the result of urgent representations from this Government, further allocations for cotton seed (and perhaps also for maize) have been furnished by the Railway Administration, but this factor can be discounted for the purpose of the present argument on the ground that the system, as administered, obviously involved the cotton industry in definite disabilities as compared with the 1933 allotments which were the result of a sub-committee in close consultation with the two industries concerned. It has now transpired that the allocations for 1936 were settled between July and August, 1935, and took no account of subsequent information that the cotton industry would require transport for about 90,000 tons of cotton seed. It is suggested, therefore, that if a quota system for low rated traffic is to be efficiently operated allocations must be reviewed as near as possible to seasonal movements if the industries affected are to receive equitable treatment.

5. In this connection it is desired to emphasise that the cotton industry, from the Railway standpoint, warrants particular consideration and that due weight should be given to the relation between cotton seed and lint cotton. The cotton crop differs from the maize crop in this important respect, - that it provides two separate marketable commodities - the lint, which in itself provides paying traffic for the Railway, and the seed. Under present conditions the quantity of seed available for export each year must naturally be in a calculable ratio to the amount of lint available: (this ratio may be expressed as 5.8:3.2), although the quantity actually exported is dependent on circumstances which do not affect the lint market. In any year, that is to say, the whole of the lint production will be exported, whereas it will be profitable to export only a varying proportion of the seed. It may therefore be expected that any increase in the volume of traffic which may be required to evacuate all the exportable cotton seed will be accompanied by a compensatory increase in the volume of traffic required to evacuate the lint.

6. Regarding the two crops, maize and cotton, as entities, the position then is that while export maize is transported over the Railway system at the "Z" rate of between Shs. 11/20 and Shs. 13/50 a ton the total charge in respect of the cotton crop is very substantially higher. The seed is transported at the "Z" rate of Shs. 22/75 a ton, but the charges in respect of lint vary between Shs. 73/03 from Tororo and Shs. 107/52 from certain of the Lakes Kioga and Kwania and Victoria Nile ports. Asssessing the distribution of the producing centres on the basis of the Railway booking returns for 1935, it is found that the average rate paid on all Uganda lint transported by the Railway is slightly in excess of Shs. 85/00 a ton. Applying this figure to the totals of lint exported in 1933 and 1934 and including the receipts in respect of cotton seed and the "Z" rate, it will be found that the whole cotton crop was transported by the Railway at a rate slightly exceeding Shs. 47/00 a ton in the former year, and slightly exceeding Shs. 61/00 a ton in 1934. On the same basis, the average haul in respect of lint and seed from Uganda to the Coast is approximately 800 miles. The average rates per ton mile received by the Railway in respect of the 1933 and 1934 crops therefore are 5.87 cents and 7.62 cents. These averages should be compared with the average value of traffic to the Railway where maize and cotton areas respectively are concerned (vide the succeeding paragraph).

7. The economic effect of the cotton crop on Railway receipts may be examined from another angle. If the receipts per ton mile for outward goods traffic accruing from typical centres of maize production are compared with the corresponding receipts from typical centres of cotton production, it will be found that they are substantially lower. This is illustrated in the following table:-

OUTWARD GOODS TRAFFIC.

Average value to Railway per ton of all outward traffic, 1934.

	Station.	Total Value £	Value per ton Shs.	Miles from Kilindini	Value per mile Cents
Areas of Maize Cultivation	Njoro	2,433	10.20	464	2,198
	Hoey's Bridge	9,305	17.29	614	2.815
	Rongai	4,501	15.62	472	3.309
	Kitale	30,853	23.08	628	3.675
	Eldoret	14,255	[illegible].80	577	4.644
Areas of Cotton Cultivation:	Mbulamuti	3,315	37.55	783	4.795
	Tororo	5,708	35.62	686	5.192
	Kamuli	8,991	44.07	773	5.701
	Nsinze	25,717	48.63	735	6.616
	Soroti	13.917	66.78	787	8.421

8. The conclusion to be drawn from the figures quoted above would appear to be that the outward traffic from cotton areas has an average value to the Railway so much higher than that from maize areas as to justify the increasing of the cotton seed quota above the maize quota when a higher tonnage is required for cotton seed. Lint and seed are ready for export simultaneously, and it is obvious that the

Railway Administration must concentrate largely on the transport of the former commodity. At the same time truckage must be made available for evacuation of the concurrent maize crop, which necessarily complicates the position. It is submitted that in any equitable assessment of allocation of space between the low-priced commodities, cotton seed, as an integral part of the cotton crop, should receive special consideration in view of the higher economic value of the industry as a whole to the Railway. If the congestion of traffic during the period affected makes this impracticable, or difficult, then the existing arrangements should clearly be brought under examination with a view to their amendment.

9. Before proceeding further, however, it will be appropriate to examine, in the light of the matter contained in the previous paragraphs, a statement made by the General Manager in his memorandum of the 29th February, to the effect that it was the heavy expenditure previously incurred by the Railway Administration in the movement of these two commodities, for which a very low revenue return was received, which was largely responsible for the serious financial position of the Administration from 1929 onwards. It has already been made clear that any 'loss' which might be occasioned through the transport of cotton seed is limited by the profit accruing from lint. The transport of maize, on the other hand, does not bring into operation any compensatory outward traffic.

10. Examining the General Manager's statement then, from this angle, it may be shown that the cotton crop as a whole has been carried at rates which should not have been financially embarrassing to the Railway, especially as the average haul from Uganda was shorter than it is to-day.

		1929	1930	1931	1932	1933	1934
A. Total lint transported	Tons	35,025	22,496	34,162	35,729	52,080	49,976
B. Average return per ton mile	Cents	11.418	11.418	11.418	11.418	10.705	10.705
C. Average total Rly. costs per freight ton mile	Cents	8.481	9.219	10.649	10.674	8.815	9.251
D. Surplus (B-C) per freight ton mile	Cents	2.937	2.199	.769	.734	1.890	1.454
E. Total cotton seed transported	Tons	68,539	35,356	47,702	54,829	81,356	35,837
F. Rate at which transported per freight ton mile	Cents x	3.153	3.153	3.153	3.153	2.956	2.956
G. Compensating factor from lint surplus per freight ton mile	Cents	1.501	1.399	1.551	.478	1.210	2.028
H. Rate at which cotton seed may be regarded as moving per freight ton mile	Cts.	4.654	4.552	3.704	3.631	4.166	4.984
I. Average Rly. working cost (without depreciation) per freight ton mile	Cts	5.534	5.743	6.140	5.440	4.381	4.621
J. Amount by which H. exceeds or falls short of I.	Cents	-.880	-1.191	-2.436	-1.809	-.215	.323
K. Amount by which H. exceeds direct haulage cost (2.667) quoted by G.M. in 1930 per freight ton mile	Cents	1.987	1.885	1.037	.964	1.499	2.317

x Includes loading and unloading charge.

119

It will be apparent that something approaching an economic balance is afforded to the Railway by the cotton crop. The maize crop, on the other hand, is transported entirely at 'haulage costs' rates.

11. The following are the points in which revision of present procedure is desirable:-

(a) The time of year at which the quotas are fixed - It is impracticable to determine with any accuracy in July and August how much maize or cotton seed is likely to be offered for export during the succeeding season. If, therefore, for convenience, it is necessary that a provisional allocation of tonnages should be made in these months, it should be definitely accepted that this allocation is tentative only, and will be adjusted later in the year as required. The prospects of the cotton crop are capable of assessment by December, and it is considered that the cotton seed quota should not be settled finally until it can be predicted fairly accurately how much seed and lint will be offered for transport. In this connection, it may be observed that a system of fixed quotas would have little to commend it, especially as it would tend to encourage uneconomic production to the limit of the quotas available.

(b) The present system on which the monthly quotas are operated places cotton seed at a disadvantage in that the quotas are not adjusted to allow of increased export during the months in which the market is normally most favourable. Under the 1936 allocation, 45,000 tons of maize were to be transported between the beginning of January (when the maize quota started to operate) and the end of April. It is considered that substantially larger tonnages should be allotted to cotton seed during the first three months in which it is available for export, as it is of the greatest importance during the first half of the year, since its market is more limited than that of maize, and is to a large extent dependent on buyers' requirements for the succeeding winter. It will be appreciated that close contact with, and between, the two industries is desirable whilst allocations are under review.

(c) The route by which the cotton crop is transported. The situation which arose early in 1936 with regard to the movement of cotton seed was caused by the two factors just discussed - the arbitrary fixation of the monthly quotas before the cotton crop would be estimated, and the low quota allotted to cotton seed during the important months - and to a third factor - the lack of adequate facilities - which has, however, been capable of adjustment to some extent. This factor arose out of the apparent impracticability of substantially increasing the cotton seed quota without either depriving other commodities of the necessary transport, or incurring heavy expenditure on re-conditioning and bringing into service vehicles which were in store. It was suggested to the General Manager, K.U.R. & H. that the route via Mwanza to Dar es Salaam might be used for the evacuation of some part of the surplus, and he reported that this route would definitely be uneconomic. Further consideration of the possibility of close co-ordination between the K.U.R. & H. and Tanganyika Railway system seems eminently desirable, so that all outlets for traffic can be utilized fully in a spirit of co-operation rather than competition. It was actually reported that 1,000 tons of cotton seed were booked from Mwanza to Kilindini at a time when all available space was required for evacuation of Kenya and Uganda traffic.

12. It is understood, in the first place, that there is no material difference between ocean freight rates on cotton seed at Mombasa and Dar es Salaam. If, therefore, it would be practicable to ship cotton seed from Uganda lake ports to Mwanza and thence over the Tanganyika Railway system to the latter port, at rates which compared with those obtaining on the K.U.R. & H. system by the Mombasa route, any further congestion of traffic during the cotton season would be avoidable. The General Manager has intimated that the Tanganyika Railway Administration have offered to transport cotton seed by the Mwanza - Dar es Salaam route at Shs. 22/40 a (metric) ton, which is equivalent to the rate of Shs. 22/75 a long ton charged by the Kenya & Uganda Railways & Harbours Administration, but that the charges between a Uganda lake port and railhead at Mwanza would amount to about Shs. 8/00.

13. The distance between Mwanza and Dar es Salaam is just over 758 miles; the distance between Mwanza and Kilindini via Kisumu is assessed at [illegible] miles. It is, therefore, appropriate that the rates on both systems should be equivalent. The "Z" rate on cotton seed is, however, applied irrespective of distance, and as "Z" rate is paid for by other traffic, circumstances should arise in which it would pay the K.U.R. & H. Administration to liquidate their 'loss' on surplus "Z" traffic by delivering it to the Tanganyika Railway at Mwanza at their own expense. The traffic which enables the "Z" rate to operate would continue to proceed over the K.U.R. & H. system and its contribution to general receipts would remain. The difference would be solely in the "Z" rate receipts. These circumstances would arise when it became practicable to evacuate such a proportion of the total crop by water as would substantially reduce the average haul on that part of the crop which remained to be conveyed by land. It would most clearly be of advantage if the nett saving per ton mile resulting from a reduced haul for the bulk of the crop would balance the cost of transporting the remainder to the Tanganyika Railways system at Mwanza. To illustrate by figures:- If it were practicable to fix the quota in respect of cotton seed at 110,000 tons in any year, it would pay the Railway Administration to move 20,000 tons from the Kampala area by water to Mwanza, provided that this had the effect of reducing the average Uganda haul to 750 miles. The receipts accruing to the K.U.R. & H. for the total consignment would be (90,000 x Shs. 22/75) - (20,000 x Shs. 6/)x or Shs. 21/36 per ton for the the 90,000 tons actually carried over the K.U.R. & H. system.

x This figure is based on Shs. 4/- for Lake transport and Shs. 2/- for handling charges at Mwanza. The General Manager when quoting a higher figure for Lake transport based his figure on receipts at Shs. 22/75. The actual haulage cost should, however, be covered by Shs. 4/-.

The present average haul of 800 miles at Shs. 22/75 gives a return of 2.844 cents, and with the average haul at 750 mile miles almost exactly the same return would be obtained. The gross return would in fact be greater, however, since only a proportion of the balance between 'basic haulage' and fully paying rates on 20,000 tons of traffic would have to be found from the fully paying traffic which would be induced by the export of those 20,000 tons. It should therefore be possible to arrive at a position in which the Lake route would be profitable to the Railway although the average Uganda haul was not reduced to the full extent suggested above, especially if the comparative cheapness of water transport were fully exploited. (Before this position was reached, of course, the K.U.R. & H. would have examined the advantages of making full use of the Kisumu-Nakuru route for the transport of such part of the traffic as could economically be forwarded over it).

14. A second course which might be explored would be that the K.U.R. & H. Administration should come to an arrangement with the Tanganyika Railway which would ensure that additional trucks would be available from the Moshi Line at periods during which heavy "Z" traffic was anticipated.

NOTES ON THE MEMORANDUM ON THE ALLOCATION OF TRAFFIC QUOTAS BETWEEN MAIZE AND COTTON SEED

Submitted by the Government of Uganda, dated 2nd May, 1936.

(References are to paragraphs of Memorandum).

Para. 1.

The present season has taxed almost to the limit the existing capacity of the Railway in a downward direction on the present basis of expenditure, but, beyond the fact that this year both industries have been equally handicapped by the application of the quota system, instead of one only, it is not clear to the Administration that any new factors have been introduced.

Para. 2.

Noted.

Para. 3.

The aggregate over the 12 months of 170,000 tons of "Z" class traffic was the total capacity at that time, after allowing for theknown tonnage of non-controlled traffic. The allocation for 1933 did not, of course, exceed the tonnage of each crop to be exported i.e. maize 51,000 tons; cotton seed 61,000 tons. It was not necessary therefore, to allocate the full capacity. (For further details see Bulletin No. 7).

By 1936 the latent capacity to deal with "Z" traffic had been increased by at least 50%, after allowing for an expected tonnage of non-controlled traffic of 30,000 per month. (See Bulletin No. 17.)

Although both crops are heavy (a record as regards cotton seed) the full capacity over the 12 months will not be required, but the maximum capacity in any one month is barely sufficient to meet the desires of both industries.

The price levels of cotton and cotton seed do not in any way affect the quota principle, except, possibly, to justify the industry in paying a higher price for a better service, if desired.

The quota for 1936 was provisionally fixed in July, 1935, on the assumption that the export tonnage of maize would be approximately 90,000 tons and cotton seed probably about the same. The first estimate of the cotton seed tonnage could not be obtained until December, when 90,000 tons was indicated. No change in the allocation was necessary to deal with both industries equitably.

In the table the allocation for July and August and later months in 1936 for cotton seed is not given; this can be up to 20,000 tons each month, if required, and possibly even more if non-controlled tonnage falls away.

Page 4.

As promised to the industry, every endeavour has been made to work to full capacity, within the principles of the quota system. A higher capacity was offered on further payment, as a special concession, but not accepted.

Owing to the absence of any unusual accidents or sickness, and to the smooth working of traffic, combined with some falling off in the maize movement, it has been found possible to move even more cotton seed during April than could be guaranteed.

The 1933 sub-committee failed to agree on any definite basis and it was left to the Railway Administration to deal with the problem on the basis of equity. This principle has been adopted in 1936, as in previous years, and hitherto has been loyally accepted by both industries.

If Council can suggest any better way of dealing with this problem, it will relieve the Administration of much difficulty and anxiety.

Para. 5.

The policy of giving cotton seed particular consideration cannot be supported by the Administration and has never been accepted by Council. If Council will agree, on the basis of special consideration, it will materially assist the Administration in dealing with this problem.

In the Railway view, however, the two commodities - cotton and cotton seed - must be dealt with on their individual merits and cannot be correlated without introducing enormous difficulties.

"Z" rates cannot be quoted, unless other traffic bears that part of the burden not charged out to cotton seed and maize. The tariff has been designed so that each commodity bears its proper share of this burden according to its capacity.

If the present rates on cotton and cotton seed are not fair and equitable on this basis, this question can be considered as a rates problem.

The argument in this paragraph appears to be inconsistent with requests to reduce the rate on lint, which were put forward in 1927.

Para. 6.

From a Railway point of view, each commodity should be treated on its merits and the arguments brought forward in this paragraph cannot, therefore, be supported.

Para. 7.

The conclusions drawn from the figures in this paragraph are vitiated when it is realised that the assumption that all outwards traffic goes to Kilindini is, of course, not in accordance with fact, particularly as regards stations situated in the Kenya Highlands.

Para. 8.

If our rating system is right, every traffic is of equal value, as they each contribute what they can to the total. Where this is proved not to be the case, it is a matter for rate adjustments.

Will Council agree that cotton seed should receive special consideration? If so, it will assist the Administration materially.

Para. 9.

No 'loss', i.e. out-of-pocket expenditure, now occurs in the movement of maize or cotton seed, owing to the adoption of quota principles.

Maize, as also cotton seed, pays good wages, which are subsequently spent and both commodities induce certain imports and other traffics. With the quota safeguard, neither traffic can be lost without damage to the nett revenue position as a whole; they are, therefore, both equally valuable.

Para. 10.

The figures in this paragraph are based on certain improper assumptions, viz:

(i) That cotton and cotton seed - two distinct commodities - can be taken together as one. This is contrary to sound Railway practice.

(ii) That 'averages' can be applied to particular traffic. This is a most 'unsafe' procedure, to be followed only with the utmost care and after the fullest investigation.

(iii) Even so, they prove that the cotton industry as a whole, as would be expected on this basis, is unsound and has to be supported by other traffics. The correct position, however, is that lint is very sound, but that cotton seed, as is realised, has to be supported along with maize, by all other traffic, according to the ability of each.

(iv) The arguments are contrary to what is stated in paragraph 1 regarding the principles governing "Z" rate traffic.

Para. 11.

Some fixation of the quota must be made in the period July to October, when the maize industry are making their shipping arrangements. The safest assumption to make at that time, as was done this year, is that both crops will be about equal. The quotas are then reviewed when the cotton seed requirements are known in December. They are thereafter reviewed weekly, or as often as required, with the object of assisting both industries to the maximum extent.

These principles were followed this year and, it is believed, have resulted in equitable treatment of both industries. It is considered that the burden was divided very equally between the two commodities. If Council decide that preference is to be given to one commodity over the other, it will materially ease the difficulty of dealing with this problem.

It is agreed that the closest possible contact between the two industries is desirable. The representatives of the two industries on the sub-committee in 1932 failed to agree, however, and the problem was handed over to the Administration to deal with as best it could, but on the basis of equality of treatment.

The question of adequate facilities has been dealt with in another memorandum. The quota system has been adopted deliberately in order to make "inadequate" facilities function as conveniently as possible in view of the fact that "Z" traffic cannot afford to pay for "adequate" facilities and the remaining traffic is not prepared to do so for them.

It is agreed that the possibility of using all outlets should be - and in fact has been - explored.

The cotton seed referred to, as booked from Mwanza, belonged to last season's crop and moved before this year's Uganda crop was ready. In any case, it moved in small consignments only.

Para. 12.

The possible movement with present facilities from Port Bell to Mwanza is limited to approximately 3,000 tons per month only.

When these facilities disappear through old age, as they must shortly, is this traffic to pay for their replacement?

It will be realised too that traffic in one direction induces a return traffic and imports will in due course return by the same route.

The effect on the Port of Mombasa also must not be lost sight of.

Para. 13.

Some facts have apparently been overlooked. A few of these are:-

(i) The "Z" rate on cotton seed is, as stated, a flat rate, but in fixing that flat rate average distance was taken into consideration and accounts partly for the difference between the rates on cotton seed and on maize.

(ii) Under quota principles there is now no "out-of-pocket" loss in moving cotton seed or maize and both commodities, as intended pay "something" now towards other overheads.

(iii) Any reduction in total traffic, increases the unit costs on the remainder.

(iv) It has frequently been stated that water transport is cheap, but repetition does not necessarily make this statement true. All available figures tend to show that water transport under existing local conditions is not cheaper than rail and certainly is less able to quote "Z" rates. The basis on which Shs. 4/00 has been selected as the cost of moving traffic from Kampala to Mwanza is not understood. On 271 miles such a rate would be under 1.5 cents per ton mile, which cannot possibly cover "out-of-pocket" costs.

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(v) The effect on the Port of Mombasa has been completely ignored. Cotton seed and maize each pay a handling and wharfage charge of Shs. 5/00 per ton. The ships carrying this traffic bring important revenue to the Port and other commercial and business interests are also involved. The tendency too for imports to return over the alternative route has already been mentioned.

Para. 14.

The following points have apparently been lost sight of:-

(i) The Tanga Line has altogether approximately 120 units only. Not many could be made available for transfer to our system.

(ii) Hire charges would have to be paid.

(iii) This Administration has plenty of trucks if they could be paid for.

(iv) The Tanga Line vehicles are equipped with the vacuum brake system.

SUMMARY:

The falling questions now fall to be answered:-

1. Is the quota system to be abandoned?

This can be done partially at present at comparatively small cost by -

(a) Re-introducing additional crossing stations;
(b) Re-conditioning and bringing into service some of the wagons now stabled;
(c) Employing additional staff where necessary.

It will be clear, however, that partial abandonment must lead to eventual full abandonment of this system, as, once industries are given such facilities again, they must be retained.

Full abandonment, of course, means in due course -

(a) Purchase of rolling stock, including locomotives;
(b) Increase all round in overhead expenditure.

This additional cost would have to be borne by:-

(i) The industries concerned,
or
(ii) Other traffics, by means of a surcharge or increase in the rates.

2. Is the quota system to be retained?

If so -
(a) is cotton seed to be given any preference?
(b) If so, how much and in what form?
(c) Are the existing principles to be changed in any way?

RECOMMENDATIONS:-

In order to assist Council in their consideration of this important question, the following recommendations are submitted for consideration:-

(i) That the quota system be strictly maintained.

(ii) That cotton seed and maize be treated on a basis of equality so far as sharing the burden is concerned.

(iii) That the present capacity of the Railway for dealing with "Z" traffic be maintained, i.e. 20,000 tons per month of "Z" traffic to 30,000 tons of non-controlled traffic.

(iv) That the cotton seed industry make suitable provision for storage by means of godowns, shelters, private sidings, etc., etc., as has already been done by the maize industry.

It is considered that the above arrangements will enable the greater part of both crops to be exported within a period of 6 months, which is considered reasonable and the most the industries and the general public at large can afford to pay for.

GENERAL MANAGER'S OFFICE
NAIROBI.

4th May, 1936.

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL.

COMMENTS ON KENYA & UGANDA RAILWAYS REPORT - 1934, BY THE SECRETARY, RAILWAY RESEARCH SERVICE.

A copy of the comments of the Secretary of the Railway Research Service in England on the Kenya & Uganda Railways Report for 1934 is circulated for the information of Council.

2. This Research Service has been instituted by the Home Railways to keep them in touch with all developments in Railway matters on other Railways, both in Europe, America and elsewhere. Its Secretary, Mr. Sharrington, is a keen observer of all matters of this kind and, while his views do not carry the weight of a General Manager of a large Railway, they are regarded as generally sound by the Home Railway authorities. In these circumstances, it is felt that his comments will be of value in considering Railway policy.

Ref. No.A.7/729

GENERAL MANAGER'S OFFICE, NAIROBI.

20th February, 1936

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL.

COMMENTS ON KENYA & UGANDA RAILWAYS

REPORT - 1934, BY THE SECRETARY.

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Ref. No.A.7/729

GENERAL MANAGER'S OFFICE, NAIROBI.

20th February, 1936

COMMENTS ON KENYA & UGANDA RAILWAYS REPORT - 1934.

Part I

Introduction:

The commencing charts showing division of receipts and expenditure are admirable and give one a delightfully clear picture of the general situation at a glance, and it is to be hoped that you will not depart from this most useful practice.

The Index is admirable and may be regarded as a model for other reports of a similar nature, not excluding our own Ministry of Transport Annual Returns, in which the index is about as badly designed as any with which we have to deal in this office, and that is saying a good deal.

Page 1.

Your rate of return, namely 5.24 per cent on total capital expenditure, is probably as high as any important railway of which we have knowledge in this office, and it is a figure of which you must be very proud, whilst the ratio of ordinary working expenditure to earnings, which may be regarded as a complementary figure to return of capital investment, must be a source of much gratification to you, not only for the figure itself but for the general trend downwards in recent years.

Page 2.

Until one reads the details in later pages it is difficult to realise how expenditure has been reduced to an extent double that of the reduction in earnings, and it is a remarkable feat to have produced the biggest surplus yet recorded in a year as adverse as 1934 was for the railways of the world. The value of budget estimates, especially when conducted on a conservative basis, such as you seem to be doing, is well exemplified by the comparison of actual results with estimates as shown on page 2.

Page 4.

The closing of your Deficit Account, made possible by the earnings of a surplus in 1934, is a welcome sign of recovery, but it leads to the thought that if the finances of the Kenya and Uganda Railways had been managed in earlier years on a basis which would have permitted the building up of a reserve fund such a Deficit Account need not have existed at all. The commencement of a reserve fund is therefore to be most heartily welcomed and this matter is referred to again in later paragraphs.

Under the head of Depreciation, judging by railways in other countries, the rate of 2½% strikes one as rather low, though this point again will be referred to in more detail later on. The following are some recent depreciation allowances as determined by the Interstate Commerce Commission of the U.S.A.

Railway	Depreciation Percentage %
Baltimore & Ohio Railroad	2.79
Erie Railroad (including the Chicago & Erie Railroad)	3.13
Florida East Coast Railway	3.72
Minneapolis, St. Paul & Sault Ste. Marie Railroad	3.52
Missouri-Kansas-Texas Railroad	3.86
Pennsylvania Railroad	2.79
St. Louis-San Francisco Railroad	3.46
Seaboard Air Line	3.30
Wabash Railroad	3.41
Wheeling & Lake Erie Railroad	3.85

Page 5.

To have reduced the ordinary working expenditure from 1,400,000 odd to under 1,000,000 when the earnings remained unchanged as between 1930 and 1934 is a great achievement, but no mention is made in the report as to whether the deductions in salaries, etc., which were enforced during the period of stress have since been readjusted, and in view of the satisfactory results your administration has received I trust that such salaries and wages deductions were in 1934, or at any rate, in 1935, a thing of the past.

Page 6.

The operating ratio figure showing the progression from 79% in 1930 to 59% in 1934, inclusive of depreciation, shows a wonderful trend and will be the envy of many other railway administrations.

Page 7.

As a statistician I dislike intensely a chart without a base line, since it gives a false perspective and reminds me too much of the various Australian reports, where the base line of zero is feet away from the page showing the scale. I feel that to give a truer picture all railway reports should not diverge from the inflexible statistical rule of making the base line nought. Incidentally, I feel that the chart on page 7 would be much more admirable if it was shown horizontally with added space for the years, in other words, the scales are distinctly misleading. The same point applies to a great many other charts in this report.

Page 9.

As you truly point out the decrease in low export tonnages and the increase in higher rated traffic is a welcome feature for a railway report in these days when road competition may be regarded as universal. It is highly satisfactory, but, as is pointed out later in the Report, it is hardly a feature which you can bank on to occur again in coming years.

Page 10.

The very detailed cost figures per freight ton mile split up under the various headings are admirable in every way and are a feature which might well be copied by the British railways and by railway administrations in other countries.

Page 11.

This formula for branch line working results is one of continued interest to us here and the sections of your report dealing with this matter have proved extremely useful in this office. I feel quite certain that the problem of branch line operating ratios is one which will acquire ever increasing attention in the coming years and especially in those countries where branch lines have been built for development purposes.

Page 23.

I was sorry to see that you had re-introduced distribution rates, as, although I am not absolutely clear as to the exact meaning of the term "distribution rates", I recall that we did some studies for Roger Gibb on this matter some years ago and I remember his dislike of them and also our impression at that time that they were a most undesirable institution. The remarks on page 23 would seem to show that they are not looked upon with favour by your administration and therefore I presume you were forced into the re-introduction rather than re-adopting them voluntarily.

Page 27.

The drop in departmental train miles is one of the most satisfactory features of this report and we have noted in this office the enormous percentage on many railways of train mileage which is debited to this non-revenue-producing element of expenditure. A further satisfactory feature is the reduction of light mileage and how you have been able to accomplish this with a very small fall in assisting engine miles comparing 1934 with 1929 is rather a mystery to us.

The chart showing the efficiency index is of great interest. As you probably know, the Great Western Railway make a chart out annually of the same nature and a study is made covering the four railways which is based on this Great Western analysis. This recently appeared in the "Railway Gazette".

 134

Apparently you suffer also from the lack of gross ton mile figures and it has occurred to me that if you had had available the figure over the period 1926 - 1934 of gross ton miles per train hour you would have achieved a marvellous figure for efficiency working and a more satisfactory one than any single element of your efficiency table. You will probably recall that Professor Cunningham of Harvard, who was at one time Chief Superintendent of the Lackwanna Railroad, developed this and introduced it during the War period for all American railway operating ststistics and it is now standard as a basis of measurement throughout the American railways.

Page 32.

The chart on this page is most ingenious and admirably clear considering the number of various indices which it demonstrates, whilst the chart on the previous page is striking, though in my view it would have been better if drawn showing the zero base line.

Page 40.

The expenditure per route mile on maintenance of permanent way demonstrates that you have probably reached the minimum cost per route mile, but the figure is extraordinarily low and it has been very interesting to us to compare this with figures for other railways.

On the same page the ratio of expenditure to capital value is quite a new index to me and when time permits I shall like to work out some figures for other railways on this new and ingenious basis.

Page 43.

The statement that one-third of the deferred work has been overtaken is quite unique and we have never come across before any figure attempting to show to what extent the deferred maintenance has been caught up. I imagine that with large systems, such as our own and the Canadian and American or French and German railways, such a statement would be very hard to get out.

Page 44.

The results of the new progress system in connection with locomotive repairs are most striking and to have got down to twelve working days for smaller locomotives and twenty-four working days for Garratt and Mikado type engines is really a very wonderful result under conditions such as must appert in in East Africa.

Page 45.

The mileage figure between general repairs of 68,000 to 78,000 miles is extremely satisfactory and compares extraordinarily well with other figures on our files here. I am wondering to what extent this great improvement is due to the inauguration of intermediate repairs, a policy which certain of our lines are adopting here with considerable success. Considering the labour problem which you must face, these results are ones of which you may well be proud.

Page 46.

The reduction in the number of hot boxes on freight and coaching stock is striking and also the mileage per hot box. If you carry the policy very much further it appears to us here that one could make a very poor case for the adoption of roller bearings.

Page 48.

Here again the charts are in my view very largely spoilt by the lack of a zero base line, and in this case I should have thought it would have been fairly easy to superimpose three charts on to one, with, if necessary, three scales, and each index would have shown more clearly than is actually the case.

Page 50.

The mileage of locomotives per failure is astounding as regards improvement and I presume is due in part to the laying up of older units of motive power. The definition of a locomotive failure interested us and in connection therewith I am setting out as an appendix to this memorandum the definition of a failure which we have on our file here.

Page 51.

The fall in cost per engine mile is highly satisfactory and it would seem that your administration must have got very nearly to the lowest possible figure in that connection.

Page 72.

It is to be most sincerely hoped that the Government will not fall to the temptation to press for extravagant and uneconomic services now that the finances of the Kenya & Uganda Railways are on such a firm basis, and it would be disastrous if every effort was not made to prevent the drifting back to the position which so unfortunately occurred about six years ago.

Reference is made to the rate structure on the same page and from the experience of this office and the outlook of a transport economist, it would seem that stability in rates is more desirable both to the trader and to the railway than reductions which cannot be retained over reasonable periods. In short, though minor adjustments may be made to improve the rates structure, it is far better to have a slightly higher level of rates which remains stable than a lower level of rates which fluctuates in years of depression or prosperity.

Page 74.

To those who have been studying the regulation of road transport on a world-wide basis it is gratifying to find the statement which appears on page 74 "that the regulation of transport will be required by each form of transport for its own protection against itself". This has been very strikingly demonstrated in the United States recently and the realisation of this viewpoint alone made possible the passage of the Motor

Carrier Act 1935. It is undoubtedly true that unlimited competition under present conditions definitely militates against the provision of efficient services and any country that is in the happy position of being able to design a co-ordinated transport policy prior to the growth of strong road competition may indeed consider itself fortunate.

Page 76.

It is noted that the railway administration requested a reduction from 2½ to 2 per cent as the basis of contribution towards depreciation. In comparison with the railways in other countries it would seem that even the figure of 2½ per cent is on the low side and both from a financial point of view and from a technical viewpoint it would seem desirable to keep this percentage figure at a fairly high rate in order to ward off a campaign aimed at the reduction of freight rates owing to the size of any surplus earned. This office is not surprised that so far the Secretary of State has not approved of the suggestion to reduce the contribution from 2½ to 2 per cent as several requests have been received in this office from Government departments in regard to this matter.

The estimates quoted for 1935 cannot be commented on usefully at the present time in view of the fact that preliminary results for 1935 will shortly be available, but the method of budgeting is extremely useful and a practice which should be adopted more extensively in other countries.

Page 77.

The suggestion that the Reserve Fund should total one million pounds before any large reduction in rates be granted is one that will be sympathised with by all those interested in railway finance and one might comment upon the fact that one million pounds in the case of an administration of the size of the Kenya & Uganda Railways is a minimum figure, which in the light of what happened in Rhodesia would soon disappear into thin air in the case of a return of international trade depression. An alternative or additional fund might be possibly considered, which would be termed a Rates Equalisation Fund and such a policy, if adopted, would probably not meet with the opposition of trading interests such as might be expected from the setting up of a large Reserve Fund.

Page 98.

The extensive detail in these tables is very striking and if similar figures would be available for other railways in the world it would be extremely useful. Such data must be very helpful in clarifying the position at enquiries and other meetings dealing with the question of changes in rates structure.

Page 114.

The average age of the motive power is comparatively speaking young, but for the coaching stock it would seem that obsolescence must enter seriously into consideration. For passenger work it is rare to find such a large proportion of four-wheeled vehicles and if the suggestion is ever carried out of ceasing to operate passenger trains there will be a very heavy renewals account debit, in connection with the figure in Statement 21.

Page 134.

Statement 43 is interesting as giving the estimated life of structures and is the first case which has come to our notice here of these figures being published. It may be that the determination of these figures leads to the request for a lower depreciation rate than 2½ per cent, but in any case it is most interesting to have these data set out.

The two Z graphs at the end of the report are unusual in formula and no doubt useful under the conditions appertaining in East Africa, but we have come to the conclusion in this office that the step type of graph gives a better picture as illustrative of monthly earnings than the line type such as is here adopted, though, of course, such a viewpoint is purely a matter of opinion.

139

Part II

The various tables in Part II are exceptionally interesting, but it is not intended to comment on them, as the comments have already run to great length. One is here struck right through these two volumes by the enormous wealth of detail and careful costing work which has led to such remarkable improvement in the financial situation on the Kenya & Uganda Railways and speaks volumes for the managerial efficiency of the administration.

21.1.36.

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DEFINITION OF AN ENGINE FAILURE.

Great Western Railway

An engine failure is defined by the Great Western Railway as follows:

(a) Where an engine, owing to any mechanical or boiler defect, has to come off its train, or turn, short of destination, whether a delay is caused thereby or not.

(b) Any failure as above which does not cause delay but necessitates an engine being kept out of traffic to such an extent as to render it unable to work its next ordinary booked turn.

London & North Eastern Railway

An engine which has to come off its train owing to any mechanical defect or inability to work its train forward involving five minutes or more delay will be considered as having failed.

Southern Railway

An engine which has to come off its train, or which after leaving the shed signals fails to work its train owing to any mechnical or boiler defect, even if no delay is caused, is to be considered a failure. An engine which through a mechanical or boiler defect causes a delay to its train of ten minutes or over to be also considered a failure.

A locomotive failure is defined by the Mechanical Division of the Association of American Railroads as follows:-

All defects on a locomotive which result in a delay of five minutes or more in passenger service, 20 minutes or more in freight service, and 30 minutes or more in continuous movement and ordinary freight train work and switch service, are considered engine failures. A failure is cancelled if the time lost through an engine failure is regained without causing delay at the terminal, a meeting point, or to other traffic. Failures are not considered when the delay is due to causes other than the condition of the locomotive, on locomotives coming from outside points to the shops for repairs, or on locomotives making a trial trip after having received shop repairs. Switch and work train failures are shown in the freight engine failure figures.
