

1922

KENYA

312

C.O.
63523
Re
RE. 27 DEC 22

FROM
GOV'S DEPUTY
BOWRING
1605

DATE
22ND NOVEMBER 1922

FOR CIRCULATION :—

Mr.

Mr.

Mr.

Mr. Grindle

Sir H. Lambert

Sir H. Read

Sir J. Masterton Smith

Mr. Wood

Mr. Churchill

SUBJECT

P.W.D. UNALLOCATED STORES BALANCE

Submits case for alteration of decision that there is no necessity to vary arrangement by which Stores in hand in P.W.D. ON 11/4.20 had increased automatically in value by 50% on that date and requests approval to issue of S.W. for £20,916 to adjust this artificial enhancement of value.

Previous Paper
800
33277

MINUTES

Mr. Bottomley,

We have discussed.

Hand conf. 17 Jan 23

There appears no need to go into all the arguments in this despatch - with all respect I think that Mr. Grannum in the extract quoted in paragraph 3 of Sir C. Bowring's despatch is confusing conversion rate and rate of exchange - as we have already agreed in the last paragraph of our despatch on 53077 to the course desired by the Governor as to writing down the value of the stores in hand at the time of the alteration in the conversion rate.

? Acknowledge receipt and refer to that despatch, and note that a further despatch will follow with regard to the points referred to in the last paragraph of Sir C. Bowring's despatch and say that the Governor's proposals will be considered when they are received.

Subsequent Paper
800
55885
23
See 800
63523
23
(A. F. S. 1121)

A. F. S.

So proceed. When the board comes up again on the matter, discuss and

MINUTES.

MINUTES NOT TO BE WRITTEN
ON THIS SIDE.

should go into place of
the present ~~method~~ & do
not ~~mean~~ take the pleasure
that to all interests & purposes
purchases have been made
to meet current requirements.

It implies an ordinary
procedure, not entirely
abandoned, of buying
stores in excess of current
requirements - which must
tend to create an demand,
& ultimately ~~consequent~~,
undesirable ~~consequent~~ of
stores.

W.L.S. 9.1.23
above

this Government as a result of the alteration in the conversion rate was incorrect and that the writing down of the residual value of these inflated stores is justified.

It does not follow, I think, that because the value in the United Kingdom of one commodity - money - which the Colony held as part of its assets at the date the conversion rate was changed, increased in value in consequence of that change, an entirely different commodity stores necessarily also increased in value as the result of that change. To elucidate my argument by a simple and specific example; if a man's total assets just before the change in the rate took place had been say 1,500 rupees together with certain stores for which he had paid in London £100, and he had taken these assets with him to London, he could with the 1,500 rupees have purchased before the rate was changed 100 British £1 Treasury notes and the day after the change he could have purchased with them 150 of such notes. But the change in the value of his rupees would in no way have increased the value of his stores which, assuming, for the sake of the argument, that the cost of replacement had not changed, would, after the change in the rate, remain exactly worth, in British money, what they were worth before the change. This example shows conclusively, I think, that the individual referred to if he had kept both his assets in the Colony would have been justified in increasing the sterling value of his rupees by 50% but that he would have had no justification at all for increasing the sterling value of his stores."

4. I have to remark that Mr. Churchill was under a misapprehension in considering that stores purchased after the 1st April, 1920, have been written up in

value

value by a full 50%. Such stores were priced in the books as received at a mean valuation in accordance with the accepted practice of averaging the landed cost of the new consignment and the scheduled price of identical articles already in stock. Given that the original appreciation was unjustifiable, it is evident that such a valuation is based on an improper calculation and since a large quantity of stores on hand prior to the 1st of April, 1920, still remains in stock the cost of works will continue excessive whilst the price of current purchases based on the system of averaging is bound to be entered on the books at an enhanced value beyond the cost of replacement. The restricted activities of the Public Works Department will render this unsatisfactory position inevitable over a prolonged period unless the stores can be used on Railway construction or otherwise disposed of.

5. The sum of £20,916 was estimated to be the residuum of the currency inflation prevailing in the case of Public Works Department Stores on the 1st of April, 1921. Purchases after that date to all intents and purposes have been effected mainly to meet current requirements as is shown by the fact that the Department has not only used up the full ^{value} of purchases made subsequent to the inflation of values but to some extent has even reduced the total value of the stock held.

6. It is considered of primary importance that prices should be reduced so as to decrease the cost of works and also to enable surplus stocks to be sold. Regarding the transaction as an adjustment of local values to agree with the original cost it was thought advisable to meet the loss from General Savings. A

Special Warrant for the purpose was duly signed without any reference to the Secretary of State so as to adjust the difficulty at the earliest opportunity and stores at the reduced prices have been issued or disposed of. It is impracticable to re-adjust such stores to their former valuation and to enhance the cost of the balance still on hand would prejudice future sales and works and thus preclude the possibility of an early diminution of the authorized limit of the standard stock.

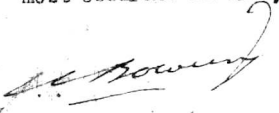
7. In the circumstances I trust that Your Grace will approve the procedure decided on locally after full deliberation and will not withhold covering sanction to the Special Warrant already signed.

8. A separate despatch will be addressed to Your Grace on the point of a further reduction of these stores values to Replacement cost as well as regarding the reduction of the standard stock limit which hinges to a large degree on the decisions taken on the two other considerations mentioned above.

I have the honour to be,

My Lord Duke,

Your Grace's most devoted and
most obedient servant,


GOVERNOR'S DEPUTY.

is preferred to take that

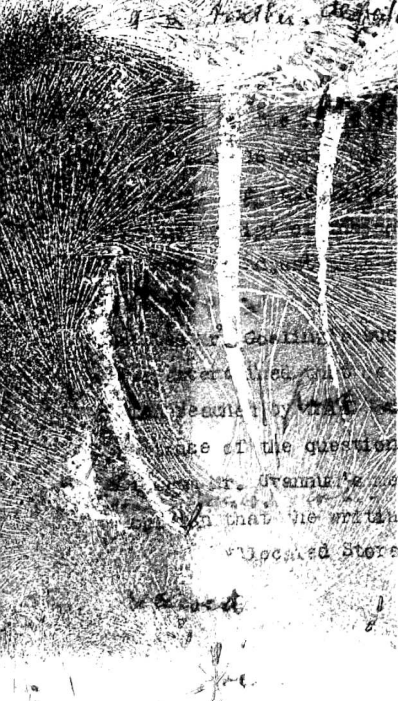
of taking account of the

enhanced value in

fixing the price of issue.

I. I took it that you are

the further, deposed



ask
a Special
AT
HER -

RECORDED
INDEXED
SERIALIZED
MAY 19 1944
U.S. DEPARTMENT OF JUSTICE
DIVISION OF INVESTIGATION

... of the question I receive
... Mr. Gramma's memorandum
... that the writing up by
... Stores held by

(Signed) DEVONSHIRE