

USE OF
1057
N
IAL OFFICE

1922

FOR USE OF
AFRICAN
NO. 1047

KENYA

357

63534
REC
REV 27 DEC 22

FROM
GOV'S DEPUTY
BOWRING

1616

DATE
24TH NOVEMBER 1922

FOR CIRCULATION :-

- Mr.
- Mr.
- Mr.
- Mr. Grindle
- Sir H. Lambert
- Sir H. Read
- Sir J. Masterton Smith
- Mr. Wood
- Mr. Churchill

SUBJECT

RAILWAY UNALLOCATED STORES
HELD BY COLONY

Considers that in circumstances if Railway is not in a position to make a cash payment it should at least pay interest to Colony for financing the stores. Has accordingly provided in Ests for Rlwy to pay £12,000 for interest and trusts this will be approved. Encloses memorandum of protest from Railway General Manager.

Previous Paper

500
63529

MINUTES

See also 63529 & 63534

Mr. Bottomley,

We have discussed.

There seems to us a considerable amount of force in the arguments of the General Manager, especially in paragraph 3 of his memorandum. The Railway has in the past been compelled to contribute to General Revenue large sums which could otherwise have been expended in stores, and further, recently, the Railway has, in the general interest of the Colony, been precluded from charging rates which would enable it to pay for stores out of revenue. [The Railway has been precluded from charging rates which would enable it to pay for stores out of revenue.]

? Reply that before considering the matter further the Secretary of State will be glad to be furnished with a memorandum giving detailed arguments in reply to the arguments contained in the General Manager's memorandum.

Subsequent Paper

63529/25

It seems the more desirable to return an interim

Used in 11/2/23

interim reply of this kind because, as a result of the forthcoming Conference between Sir R. Coryndon and Sir G. Archer it will in all probability be decided to hand back the Railway to the Kenya Administration in which case all this complicated account-keeping will presumably be got rid of.

N.S.H.

8.1.23.

Reply as proposed. Do not mind not prejudging the final decision, but I am confident that the idea of a separate administrative structure for the Railway will have to be abandoned & in that case the need for an elaborate financial classification will not be so important.

I see no answer to the G.M., but if his view is agreed upon, it applies equally to the rest of the £2,700,000 which the Colony has had out of the Railway.

W.S.H. 9.1.23

am

3314

353

KENYA.
No. 1616.

63534
RECEIVED
27 DEC 22

GOVERNMENT HOUSE,
NAIROBI,
KENYA.

24th November, 1922.

RESERVED FOR USE OF
AFRICAN
1099

My Lord Duke,

I have the honour to inform Your Grace that I have recently given my attention to the financial arrangements to be made between the Colony and the Uganda Railway Administration with regard to the balance of unallocated stores held by the former on behalf of the latter.

2. For so long as the surplus earnings of the Uganda Railway were paid into the general revenues of the Colony this matter was immaterial, but now that the funds of the respective administrations are divorced for financial purposes it becomes necessary to reconsider the position.

3. Your Grace will have observed that on December 31st, 1921, the balance of Uganda Railway unallocated stores figured in the Colonial statement of Assets and Liabilities as an asset amounting to no less than £,542,500. This sum would, if liquidated, be available for investment, together with other Colonial surplus funds or would, if the Government loan funds have been excluded, be used in reduction of any overdraft with the Crown Agents. I am of opinion that it is only right that the Uganda Railway

Administration

His Grace
The Duke of Devonshire, K.G., P.C., G.C.S.I., G.C.V.O.,
Secretary of State for the Colonies,
Downing Street, London, S.W.

Handwritten signature

Encl in No.



King

2.05.26
11/10/33

360

REFER HERE TO IN YOUR REPLY

TELEGRAPHIC ADDRESS:
RAILWAYS, N. R. E.

Uganda Railway.

No. N. 6590

4.05

General Manager's Office.

Nairobi

11 October, 1933
KENYA, EAST AFRICA.

To.
The Honourable The Colonial Secretary
to the Government,
Colony and Protectorate of Kenya,
NAIROBI.

Memorandum.

**£5,000,000 Loan - Proportions of
Interest to be met out of
current Revenue.**

With reference to paragraph 4 of your minutes to His Excellency sent under your No. 21787/7/1/10 of the 4th instant, I am strongly opposed to the suggestion that the Railway is liable for payment of interest on the sum of money locked up in its Unallocated Stores.

2. Prior to 1916 the Unallocated Stores were financed from the outstanding balances of the original grant for the construction of the Railway but it then became necessary that the money so utilised should be available for capital expenditure, and in consequence the original grant was reimbursed from Protectorate surplus balances with the result that the balance of Stores became merged into the Protectorate Statement of Assets and Liabilities.

3. Since the line was opened for public traffic, however, some £2,370,000 net earnings of the Railway have been handed over to the general revenue of the Colony and but for the fact that it had been both possible and convenient to finance the Stores from the original Capital Grant, there is little doubt that the balance of Stores would have been gradually built up from surplus revenues. On this ground alone I contend that the balance of Stores should be handed over to the Railway free of charge.

4. I further submit that a working balance of Stores is just as much an indispensable and integral portion of the line as, for instance, the Lake Victoria Nyanza Fleetilla which during this same period has been built up from Revenue earnings.

5. Now that the Railway is to be a self contained financial unit I consider it should be handed over in its entirety and with all the requisites necessary to run it as such, and the suggestion of withdrawing the Stores should

receive no more consideration than would be accorded to a suggestion that the Marine Stores or any other Capital works, which in the past have been provided from surplus revenues, should now be re-purchased by the Railway.

6. A very serious further disadvantage under which the Railway is at present placed, and which should receive due consideration when arriving at a decision with regard to the Stores, is that the surplus revenues handed over to the Protectorate in past years have been to a large extent frittered in so far as no provision has been made for replacements. The result is that not only are working expenses already added with Loan Charges in respect of replacing locomotives, rolling stock and buildings, but also in the near future it will be necessary to meet further heavy expenditure either by further loans or from current Revenue for past depreciation, instead of from a Replacement Fund, built up from past Revenues. I do not propose, at present at any rate, to advance a claim in this respect, but I consider it inadvisable to impose a further liability on the Railway in respect of its Unallocated Stores.

7. My views are endorsed by the Railway Council, and I shall be glad if you will place them before His Excellency.

(Signed) S. COOPER.

General Manager.
Uganda Railway.

53A

Jan 6 3534/20 Kenya



362

DRAFT.

11 Jan 1923

Sir,

St. Leonards
MINUTE.

- Mr. *Beard* Jan 11
- Mr. *Butcher* 11/12
- Mr. *...*
- Mr. *...*
- Sir G. *...*
- Sir H. *...*
- Sir J. *Masterton Smith*
- Mr. *Ormsby Gore*
- Duke of *Devonshire*

I have the honor to acknowledge the receipt of your despatch No 1616 of the 24th of Nov, regarding the financial arrangements for express the opinion that ~~between the Colony and the Uganda Ny Administration~~ ~~is not open to the Island~~ ~~should be responsible for~~ ~~unallocated stores held~~ ~~maintaining its account of~~ ~~by the former a help~~ ~~unallocated stores, & enclose~~

a estimate

no. 63534

~~to the~~
a memo. from the Gen. Secy.

of the ...
of the ...

9. Before ...

matter further,

And if you will

me with a ...

detailed ...

reply to the ...

in the Gen. Secy's memo. ...
I have, etc.

Iz

DEVONSHIRE