

1923

KENYA

36663

FROM  
GOV'S DEPUTY  
NORTHCOTE

COMM  
385

DATE  
3RD JULY 1923

REC'D  
RE 23 JUL 23

FOR CIRCULATION :-

Mr. *Saunders*  
Mr. *Bottomley*  
Mr.

Asst. U.S. of S.

Form<sup>1</sup> U.S. of S.

Part U.S. of S.

Secretary of State.

SUBJECT

RAILWAY ESTIMATES 1923

G.M. considers no need to regard as provisional. Report as to probable amount available for the Renewals & Betterment Fund and as to allocation of interest charges on Loan. No expense will be incurred on Publicity Dept. pending result of discussion with Govr.

Previous Paper

*500*  
*44811*  $\frac{33}{23}$

MINUTES

*P. Bottomley thought, at the meeting we had in his room on August 9<sup>th</sup> that no reply was necessary to this despatch - that it might be but by.*

*JM*  
*11.8.23*

*There is the 2<sup>nd</sup> of the Publicity Office - the board of the Dip. wh. you have had under cover separately - Perhaps it wd. be as well to ask receipt & note written as explained. Very separate cover will*

Subsequent Paper

*500*  
*40104*

*See on copy Dec. 9/21/23  
on copy 29/4/23.*

*and copy 20/1/23*

MINUTES

MINUTES NOT TO BE WRITTEN  
ON THIS SIDE.

will be sent to  
Provincy office?

Recd

13.8.23

W.C.S. 14.8.23

at once

KENYA.  
NO 388.  
CONFIDENTIAL.



38063  
RECEIVED  
23 JUL 1923

GOVERNMENT HOUSE,  
NAIROBI,  
KENYA.

3rd July, 1923.

My Lord Duke,

See  
No. 388

I have the honour to acknowledge receipt of Your Grace's Confidential despatch of February 15th regarding the Estimates of Revenue and Expenditure of the Uganda Railway for 1923.

See  
38163

2. Mr. Felling has been examining the general administration of the Railway with a view to improving its working and has put forward several proposals for reconstruction which have formed the subject of special report to Your Grace in correspondence terminating with my despatch No. 967 of 19th June 1923. It is inevitable, however, that the necessary alterations will be gradual and their full effect will not be reflected during the current year.

3. The General Manager, however, states that there is no need to regard the sanctioned Estimates as provisional. Re-allocations will be made as required but the total authorized expenditure will not be exceeded unless increased traffic justifies such a step. In the latter event any excess will be compensated by the additional revenue derived from the volume of traffic.

4. I regret that, as a result of expenditure which was not anticipated when the 1923 Estimates were drafted, the balance estimated as available for the

Renewals

HIS GRACE

THE DUKE OF DEVONSHIRE, K.G., P.C., G.C.M.G., G.C.V.O.,  
SECRETARY OF STATE FOR THE COLONIES,  
DOWNING STREET,  
LONDON, S. W.

Renewals and Betterment Fund will not be realised. Increases in expenditure will amount to some £56,500 viz: £56,500 as a result of the decision regarding the 1/5th cut in Asiatic Salaries and £10,000 due to adjustment of arrears of leave payments to the Asiatic Staff under the ruling conveyed in Your Grace's telegram of 1st March 1923.

£80  
K. H. M. Y.

The reduction in Local Allowance for the European Staff enables a saving of £8,000 to be effected in this sum so that a total net additional expenditure of £58,500 is now anticipated. Contributions to the Renewals and Betterment Fund will be curtailed in consequence from £126,999 to £58,499. It is possible on the other hand that the Fund will benefit to a certain extent by increases in the Revenue figures and reductions in expenditure due to retrenchment, but it is not possible at this stage to form an estimate of the modifications from these causes. It is realized that even the original provision of £126,999 is inadequate and it is hoped that a more liberal amount will be available for appropriation to the fund in 1924.

4. I enclose for Your Grace's information a copy of a memorandum by the Treasurer on the subject of the allocation of interest charges on the Loan which explains how the sum of £67,281 payable by the Railway was arrived at. Your Grace will observe that the amount is in respect of interest on previous (Treasury) loans only and that no provision was made for interest on sums advanced for the purchase of rolling stock or on the capital cost of sections of the Uasin Gishu Railway as they are handed over to the Uganda Railway Administration. It is regretted that at the present time the preparation of any estimate of the amounts required under the latter two heads is impracticable.

Memorandum dated 7-9-1922.

Not only have the sums expended by the Crown Agents on purchase of locomotives not yet been ascertained but no part of the Uasin Gishu line has been handed over and the probable date of any such transfer is still uncertain.

5. The general question of the liability of the Colony and the Railway for interest on the Loan has been discussed by the Treasurer and the General Manager and the principle has been admitted in paragraph 8 of Statement covering the Colony's first Supplementary Estimates, copies of which are being forwarded to Your Grace under cover of a separate despatch, that the Colony's revenue should bear that portion of the interest charges, which would have been recoverable in the form of interest on Surplus Loan balances, if such funds had not been used on General Account. The necessary adjustment has not yet been agreed upon and I do not consider that any useful revision of the Estimates on this account can be attempted at present.

6. No expenditure under the provision for the Publicity Department (Item 1 (6) Abstract E) will be incurred pending the result of Sir Robert Ceryndon's personal discussion of this item with Your Grace during his stay in England.

I have the honour to be,

My Lord Duke,

Your Grace's most devoted  
and most obedient servant,

*G. A. V. Smith*

GOVERNOR'S DEPUTY.

(Draft approved by Acting Governor).

*see p. 430*  
*separate*  
*1901/10/20*  
*24/7*

COPY.

MEMORANDUM:

55

THE TREASURY,  
P.O. Box No. 65,

Nairobi, 7th September, 1922.

No. 55/6/7/1.

The Hon'ble Colonial Secretary,  
Nairobi.

in Despatch No. 365 P. 3.

18-23

£5,000,000 Loan.

Proportions of Interest to be met out of  
Current Revenue.

In accordance with your verbal instructions of the 6th instant to the effect that the expenses of Issue and Deduction for Discount should be apportioned among the other items of the schedule and that the Interest on the immediately productive portions, viz: Repayment of Old Loans and Repayment of Advances etc., as increased by their proportionate costs of Issue, should be met out of Revenue; the following figures have been agreed upon:-

2. The revised schedule to the Loan according to latest known figures is:

(1) Kilindini Harbour Works .....	£1,140,000
(2) Uasin Gishu Railway.....	£1,224,000
(3) Repayment to His Majesty's Treasury of loans already made for development purposes .....	£1,103,912
(4) Repayment to Revenue of advances from Revenue for Military Expend- iture in connection with the War and for purchase of reserve stores for Railway and Steamer Services...	£ 600,000
(5) Payment of Interest .....	£ 477,588
(6) Expenses of Issue & Deduction for Discount.....	£ 454,400
	<hr/>
	£5,000,000.

3. The apportionment of Item 6 results as follows:-

(1)

		Proportion of Item 5.	Total.
(1) Kilindini Pier.....	£1,140,000	113,960	1,253,960
(2) Uasin Gishu Railway...	£1,224,000	122,357	1,346,357
(3) Repayment to His Majesty's Treasury of loans already made for development purposes.....	£1,103,912	110,352	1,214,264
(4) Repayment to Revenue of advances from Revenue for Military Expenditure in connection with the War and for purchase of reserve stores for Railway and Steamer Services.....	£ 600,000	59,979	659,979
(5) Payment of Interest...	£ 477,688	47,752	525,440
		£454,400	£5,000,000.

4. Item 3 Repayment of Old Loans £1,214,264 then becomes divisible between the Colony and the Railway according to their respective proportions of the sum of £1,103,912 viz: 284,469 : £1,019,443. This division gives:-

Colony..... £22,913.

Railway..... £1,121,351.

£1,214,264.

The Railway therefore have to find interest at 6% on £1,121,351..... = £67,281.

The Colony finds interest at 6% on £22,913 = £ 5,575.

5. Item 4: Repayment to Revenue of Advances &c.  
2659,979.

You decided that as, if the Railway shared in this item in respect of their Unallocated Stores, these Stores would have to disappear from the Colony's Balance Sheet, the question of charging the Railway Interest for the use of the Capital locked up in Stores was not one affecting the Loan but was to be regarded as a separate question of financial arrangements between the Colony and the Railway. On this decision

decision the Colony is to bear the Interest at 6% on the whole of the item £255,440 = £259,592.

6. You further instructed that the Railway should pay current local rate of interest on the value of their Stores but that the General Manager of the Railway would be given an opportunity of putting forward his views on this point.

7. On the foregoing basis Item (5) Interest as amended to £525,440 will, at the end of 3 years (when a definite figure will be available), be divisible only between items (1) Kilindini Pier and (2) Uasin Gishu Railway and these results together with the above amounts for items (3) & (4) will be the amounts for Sinking Fund purposes.

Sd/- S.N. Faulkner,

Acting Chief Accountant,  
Uganda Railway.

Sd/- S. Marston,

Assistant Treasurer.



File 36668/23 Kenya

C. D.  
R 16 AUG.  
D 71

*SZ*

DRAFT.

20 August 1923

*Kenya  
Conf*

*Amel*

*Sir*

*oaf*

MINUTE.

I have to act the part  
of your conf despatch 385  
of the 3<sup>rd</sup> of July, regarding  
the Exts of Revenue &  
Expenditure of the Uganda  
Reg for 1923.

- Mr. *Bren Aug 16*
- Mr. *Harkins*
- Mr.
- Mr. Davis.
- Sir G. Grindle.
- Sir H. Read.
- Sir J. Masterton Smith.
- Mr. Ormsby-Gore.
- Duke of Devonshire.

2. I note the position  
as explained in your

despatch. ~~should be sent~~

(1)  
~~the~~ A separate Com -  
will be sent to you  
communication relative to

the ~~question~~ of the proposed

Publicity ~~Office~~ Dept.

ref. to in the last para of ~~the~~ <sup>the</sup> Dist.

Fz

(Signed) DEVONSHIRE