

NOVA

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15 10/23

CONTINUED

539

Date
1923, October 1923

RELATION --

Extremely

SUBJECT

RAILWAY ADMINISTRATION
SEPARATION OF RAILWAY'S AND COLONY'S
FINANCES

U.S. of S.

Li. H. Head

27/E/23

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States was effected on 1st, July 1923.
Encloses memo. by G.W. and schedule of
outstanding claims by the Rly. against the colony.
Submits comments and requests decision on points
at issue.

Previous Paper

24399
18/10/23
23

MINUTES

Item (1) ? There was for further details provided
Item (2) Opinion on this is maintained and in
our favour.
Item (3). I am inclined to agree with the
Governor. It seems to me rather a fine
point on which to base a claim for
compensation that the railway was
compelled to invest its provident fund in
England; England was for many years the
natural place to invest its funds, and
any other power, company or Govt. Dept.
which had invested funds in England
suffered depreciation owing to the monetary
friction if they wished to convert their
investments into florins. It appears

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You see ...
 on 6/28/23.

No 63 ...
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You see with
 on 6-25/23.

would not apply equally to
 definition of things mentioned
 for any other cause. The following
 would stand and hold.

As to item 7, I am not
 at all sure that any agreement
 of the representatives in
 Worcester, but his object above
 was to keep on the point.

I have found out
 by inquiry of the
 if it necessary for
 11/27/23

The end of para. 2 of the
 resolution is a distinct invitation
 to get well alone, and the
 views of the Colde and on
 item 3 may be considered
 with light of that part. As of
 the domain of the Executive
 Council in the 1889... about
 the 4th and possibly remain
 wide "hole" upon the 1st

W.C. Col 22/11/23

I have discussed with Mr
 O'Rourke. I do not think
 that we should interfere with the
 domain of the Executive Council in
 the 1889 as regards item 3.
 otherwise as proposed
 at once.

H. J. P.
 11/27/23



19th October, 1923.

My Lord Duke,

I have the honour to report that the actual separation of the Uganda Railway's from the Colony's finances has been effected locally as from the 1st July. The Colony will continue to find funds in London in the meantime for Railway requirements, but it is hoped that from the 1st January next the Railway Administration will have made arrangements to keep their account with the Crown Agents in funds. In this connection certain outstanding claims by the Railway against the Colony have recently formed the subject of inter-departmental consultation. A schedule of such claims, containing the views of both parties is enclosed, together with a copy of an additional memorandum from the General Manager.

I have to state that the instructions contained in paragraph 13 of Your Grace's Confidential despatch of 19th June, 1923 have not been overlooked, but in view of the inevitable delay in preparing the new Railway legislation and consequently in the formation of the new Railway Council, it has been considered advisable to investigate these claims and submit them for Your Grace's adjudication.

The claims were considered by Sir Charles Bowering with his Executive Council on the 11th

August -

IS GRACE

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

agreed with the following result:-

Item 1. Unliquidated Liabilities.

The arguments on this item have been represented fully to Your Grace in the correspondence terminating with my despatch No. 120 of 24th March last. No agreement was reached at the meeting in question. The Acting Governor recorded his opinion that the stores should be handed over at book value, the Acting Colonial Secretary considered that the Railway should take them over at a valuation, whilst the remaining members of the Council advised that the stores should be handed over free of charge. I am dealing with this question separately in a despatch I am addressing Your Grace in regard to the present financial position of the Colony.

Item 2. Provisional Fund - Reimbursements to Railway.

£.175,000. Council was unanimous that these claims should be admitted and the necessary provision is being included in the next Supplementary Estimates.

Item 3. Provisional Fund - Depreciation of Securities Held in Currency Fixation. £.53,245.

The depreciation of these securities which indirectly are the property of Railway employees, occurred as a result of the fixation of the currency prior to the separation of the Colony's and Railway's finances. Sir C. C. Bowring concurred in the advice of his Council that the amount of £.53,245 should be made good by the Colony and adjustment is being effected accordingly in the next Supplementary Estimates.

Item 4. Amount Returned from Capital Deal. £4,265.

This claim is also admitted by Government and will be adjusted by the insertion of the sum involved in the next Supplementary Estimates.

Item 5. Interest paid in excess. £.14,472/10/00.

This amount is not disputed and the Colony has agreed

to pay in full, the necessary provision being included in the next Supplementary Estimates.

Item 6. Proceeds of Sale and Rents of Railway Land. £.49,339. Sir Charles Bowring concurred in the advice of his Executive Council that this claim cannot be admitted. I take this to coincide with the decision conveyed in Your Grace's despatch Confidential of the 20th August.

Item 7. Railway Property handed over by the Railway to Government in 1903. £.100,500.

No records regarding this claim can be traced either in the Secretariat or Railway Offices. I am credibly informed, however, that the claim was submitted in 1905 or 1906 by the late General Manager, Mr. Currie, and that, after reference to the Colonial Office and the Imperial Treasury, it was disallowed. I agree with the unanimous opinion of Sir Charles Bowring and his Executive Council that in the circumstances this claim should not be re-opened.

Item 8. New Telegraph Wire between Mombasa and Nairobi. £.1,077/- This claim is admitted and will be adjusted by provision being made for its liquidation in the Estimates for 1924.

Item 9. Interest on Uganda Railway Cash Balances.

An agreement has been reached to fix the 1st July, 1923, as the date from which the Railway will receive interest on its own balances.

3. It will be observed that Items 1, 6 and 7 are the only claims in regard to which a difference of opinion still exists.

I trust that the correspondence in connection with item 7 will be traced in the Colonial Office and that Your Grace will not withhold covering approval to the adjustment proposed in respect of those items, on which local agreement has been reached.

4. I shall be glad in due course to receive intimation

(4)

of Your Grace's decision on the points at issue.

I have the honour to be,

My Lord Duke,

Your Grace's most devoted and
most obedient servant,

R. Couper

GOVERNOR.

of Your Grace's decision on the points at issue.

I have the honour to be,

My Lord Duke,

Your Grace's most devoted and
most obedient servant,

R. T. Courton

GOVERNOR.

11:00 AM
OFFICE LO

Group 100 of 100 - 1923

Name of Claim	Amount	Facts upon which Railway base Claim.	Treasurer's comments
Unpaid Stores	Very much from month 2001 Rs. 2/17 as at 31-3-22	That the stores should have been paid for out of net earnings of the Railway that were handed over to the Colony as such stores are an integral portion of a Railway.	This question has been referred to the Secretary of State. Should the Secretary of State decide that the stores are to be handed over to the Railway free of charge, then the Colony will not receive the Rs. 2,000 estimate for under Revenue Head 21 Interest, Sub-head 1.
Investment	2,711,866	Rs. 170,000 were paid to the Treasury from February 1918 to March 1919 for investment on behalf of the Provident Fund. The Colony converted the Rs. 170,000 into sterling @ 15 to £ = £11,331/6/8, whereas the Rs. 170,000 converted into sterling at the rates prevailing during the period mentioned would have realized £13,066	This is a justifiable claim, and it is suggested to place it against the Income of the Provident Fund, which is indirectly the property of the Railway employees. The difference is due to the fact that the rates continued to keep the accounts at 15 to £, after the rupee exceeded 15 to £ it is obvious, therefore, that had the Railway permitted the funds through a bank they would have been able to realize £13,066.
Investment Fund	233,244	Owing to the fixation of the currency @ 2/- the liabilities of the Fund have passed from rupees to florins, and in consequence the sterling investments made when the rupee was 1/4, do not cover the local liabilities. The sterling investments at date of stabilization of the rupee stood £106,493 representing a local liability in Rupees or Florins of 1,800,308. The sterling investments will now only produce locally Fls. 1,064,930/- a difference of Fls. 839,468.	The facts are as stated, but to admit such a claim would be to afford the Railway preferential treatment over other sections of the community, who have to finance sterling securities to liquidate liabilities incurred when the rupee was at 1/4. The Government are faced with a similar problem in regard to the Savings Bank. The Provident Fund is purely a Railway fund and as such, the Railway must make good the deficit.
Unpaid Interest	24,968	The stock of coal on hand as at 31-3-21 was inflated to the extent of 24,968, due to the Treasury having converted the cost of the coal into local currency @ 1/4 to the rupee instead of the current rates.	This is a valid claim, although a clear distinction departments over as the claim is referred in a similar manner, however as the claim is based on the inflation of the stock on hand as at the date the Colony and Railway separated it appears reasonable. The claim will be withdrawn if the Secretary of State decides to hand the stores over free of charge. The matter must, therefore, remain in abeyance until a reply has been received from the Secretary of State.
Interest paid in advance	214,472/10/-	Interest paid on old loans after 31-3-21 for a period prior to 1-4-21.	This claim is admitted, and the Colony has already agreed to meet it. After the 31st March 1921 (the date of separation from the Railway) the Railway met the interest on the Railway portion of the old Imperial Treasury Loans covering a period prior to 1st April 1921, and, as the Colony took over the earnings of the Railway up to the 31st March 1921 it is only equitable that the Colony should meet the interest due up to that date.

Nature of Claim	Amount	Particulars upon which Railway based claim.	Department's comments
<u>Proceeds of Sale and Rents of Wagon Racks.</u>	268,888/- representing the amount realized at the various auctions of plots at Ranchi, Allahabad and Allah. In addition the yearly rentals derived from such plots are claimed.	That the sums of land originally granted by Government to the Railway for the property of the Railway, and also the fact that by far the greater part of the land at Allahabad was purchased from Railway funds.	The question has been referred to the Secretary of State and his decision must be awaited. The Railway would appear to have a claim to land actually purchased from capital, but, not to land, which probably the Railway do not require for Railway purposes. What happens to be within the Railway limits. To agree to the Railway suggestion would involve serious difficulties, as practically all the money derived from the sale of the plots has been spent on roads, Allahabad, Allah, etc. (in the case of Allahabad to have actually handed the funds to the Railway) in the areas from which it was derived. I observe the claim submitted the Allahabad Factory Sites - Ranchi, upon which the Government has expended more money than has been received from the sale of the plots.
<u>Amount wrongly handed over to Railway in Government 1922</u>	2100,800/-	That the property in question was purchased from Railway Capital. It was handed over to the local Government and not used for Railway purposes, and it appears only a contribution, therefore, that the Railway should be reimbursed for the cost of the property.	This is an old claim resubmitted. The Secretary of State has already ruled that no financial adjustment should be made, and I cannot revert to the question being re-opened.
<u>Telegraph wires between Allah and Ranchi.</u>	21,077/-	Represents the balance due by the cost of a copper telegraph wire between Allah and Ranchi.	This claim is admitted and the action of the Secretary General has been instructed to make a provision for the amount in his 1924 draft statement. The Railway of the same kind for :- In 1912 it was decided to erect a copper telegraph wire between Allah and Ranchi, and hand the old iron wire over to the Railway, who required an additional one. The Railway supplied the copper wire, the amount being that the Railway should pay the Railway the difference between the value of the copper wire and the iron one. This was only carried out as the Railway paid the Railway 21,077 in 1912. The old iron wire, however, was never handed over to the Railway, and as it is still retained, there is an alternative but to pay the Railway 21,077, which represents the figure the iron wire was valued at.
<u>Interest on Uganda Railway Bonds.</u>	Unknown	That the Colony has been receiving interest on Railway Bank 2 1/2%.	This claim is admitted in principle, but as a settlement would be fraught with difficulties I could urge that it be dropped and the principle applied as from the date of actual repatriation, viz. 1st July 1908. If the claim is persisted in I would claim interest on the amounts so long as the Colony's agents in London for the use of the Railway. This again the Railway would not be entitled to the interest of the whole of their balance as the Colony's banking a/c. considered collectively. Does not bear interest until it amounts 250,000. It should also be borne in mind that there was an actual financial repatriation from the Railway as at 31-3-08. The old accounting arrangements were continued and the Railway are in practice still sub-accountants of the Treasury. The Railway Bank figures as an asset of the Colony and it appears inappropriate to allow interest on an asset. The net result of the Railway accounts, as reflected in the Treasury books show that the Railway are indebted to the Colony, and it should be financially, therefore, to charge the Ry. interest on the net debit appearing in the Treasury books.

KENYA RAILWAY.

No. R.R.L.-

General Manager's Office,

Nairobi, 27th June, 1923.

The Hon. The Treasurer,
 Salary and Gratification of Kenya,
 Nairobi.

Railway Claims against the Colony.

I am in receipt of your Memorandum No. 355/1923/9, dated the 25th instant, together with the schedule enclosed therewith, and have to make the following comments:-

(1) Unallocated Stores.

I understand from the Chief Accountant that you agreed that in equity the stores should be railway property. I observe that you have expressed no opinion in the schedule.

(2) Provident Fund - Reserves in England.

I note and am obliged.

(3) Provident Fund - Repatriation of Reserves owing to Currency Depreciation.

The heading seems to be somewhat misleading, while your suggestion that to admit the claim would be to give the railway preferential treatment over other sections of the community seems also to be based on a misapprehension of the grounds of the railway's claim.

The railway is basing its claim, not so much on the change in currency but on the fact that the railway was obliged to invest its Provident Fund in England, with the result that with the change in currency substantial depreciation followed.

I am not aware that any other section of the community was compelled to transfer money to England for investment in securities there.

As the Provident Fund is indirectly the property of railway employees I certainly think the case is one which should be represented to the Secretary of State.

(4) Shares purchased from Capital and (5) Interest paid in London.

Noted, with thanks.

(6) Extents of sold and rents of Railway Land.

If the proposals I have made in connection with the future control of the railway are agreed to there should be no difficulty in settling this matter, at any rate so far as property at present in the possession of the railway is concerned.

(7) Railway assets handed over by the Railway

I note that you state you cannot consent to this question being re-opened, but I must press for the ruling of the Secretary of State on that point, because it seems to me to be altogether indefensible that assets acquired by the pulling out of railway capital, and still standing in the railway capital account, should have been handed over to the Government. How is it proposed to square the railway capital account? Surely these assets cannot be allowed to remain in the railway capital account indefinitely.

(8) New Telegraph Firms between Jombasa and Nairobi.

Noted, with thanks.

(9) Interest on Uganda Railway Cash balances.

I have no wish to embarrass the Treasury in any way. All I want is to get matters placed on a sound footing for the future, and I have no objection whatsoever to the 1st July, 1923, being taken as the date from which the railway will receive the interest on its own balances.

I do not think any useful purpose would be served by discussing the matters further at this stage, and I presume you will now submit a copy of your schedule to the Honourable the Colonial Secretary. In doing so I shall be glad if you will also forward a copy of this letter with any comments you might like to make.

Sd/- C. B. Felling

General Manager,
Uganda Railway.

C. D.
NOV 27 1911
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1911

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DRAFT.

Always

Confidential

For Consideration

MINUTE.

Mr. Wm. Walker 27.11

Mr. Calder 27.11

Mr. Bygones 27.11

Mr. Holtby 28

Mr. O. Datta

Mr. O. Datta

Mr. F. Reed

Mr. J. G. ...

Mr. ...

Date of Decision

To Mr. ... No 328 ... 1911

To Mr. ... No 176 ... 1911

I have the honour to acknowledge
the receipt of your confidential
despatch No. 524 of the 4th of
October regarding the settlement
of the claims of the ...
... on the ...
... of the
... from the ...
... and the
... convey my
decision on the different
items brought to my notice

- 2. Item 1 Unliquidated
Stores : I shall remit
your promised despatch
- Item 2 Provident Fund
Remittances to England.

I approve that these claims should be admitted.

1874/2007

1874/2007

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Director of Revenue and
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MINUTE.

- Mr.
- Mr.
- Mr.
- Sir G. Davis.
- Sir G. Grindley.
- Sir H. Bland.
- Sir J. Macintosh Smith.
- Mr. Ormsby-Gore.
- Duke of Devonshire.

I agree that the [unclear]
[unclear] upon [unclear]
I enclose for you [unclear]
a copy of the [unclear] on the
subject with [unclear]

[It is necessary to decide how to deal with the
in 1905
items in the Railway Capital Account, they
~~the [unclear] should~~
be treated as assets that have
written up.]

I approve of the
agreement reached on these [unclear]

I have [unclear]

Signed DEVONSHIRE

MS 3
[unclear]
[unclear]
[unclear]

Agree that the [illegible] clause
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[1] It is necessary to decide how to deal with the
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Signed DEVONSHIRE