

EAST AFR. PROT.
W. AFRICA

38409

C.O.
38409
Nov 26 1909

Office of the Auditor.

Audit

1909

25 Nov.

Previous Paper.

35057

Uganda Railway Account

Calls attention to certain charges included in cost of working & maintenance which would appear to be chargeable to Capital Account & asks for ruling. Enquires whether a Running Capital Account deserves to be kept permanently open for certain C. of. Railways that also be kept in Conn. with Uganda Rly.

Mr Butler

[Signature]

The Finance Committee recommended on 43169/07 that a running Capital Account should be maintained in the case of W. African railways. The recommendation has been adopted.

and the colonies informed accordingly. S. Nigeria on 5881/09. G. Coast on 12790

I understand that on the 28th March last the unspent balance of the Uganda Railway Loan amounts

Copy Treas memo 5 May '10.
 of Copy for 25/6 May '10

Subsequent Paper

8399/10

probably all to spent this year
 or win in 1917
 & the unutilized accounts for ballast
 & various small capital works - in \$500/-
 for which loans have been allocated from the
 loan & have not yet been spent.

There may be small savings in time
 to settle the inclosed balances. But
 in any case there is practically no money
 left, and we have only the future to
 look to.

Revenue accounts for, all money for
 Capital purposes will have to come out
 of the Grant-in-aid; but the keeping
 of a running Capital account will not
 do much. The Centre of the
 Treasury and Expenditure. In Treasury
 money sticks in the ground that there
 is no chance at any rate for the present
 of the Uganda Railway paying it long

The result
 of the Project
 including
 work in
 1917

in the
 of covering
 capital
 already
 work

And that therefore there is no point
 in hard keeping the revenue account
 separate from the capital account
 But it appears desirable to have really
 had the start, even if the railway is
 being run at a loss, and I think
 that we should ask the Treasury
 to agree to the opening forthwith of
 a running capital account

The first Capital paper, which
 I am circulating herewith, is writing
 for the com. of the Finance Com.
 to concern with the question of setting
 several funds. And I think that
 this paper might be thought long
 that the at the same time. There
 is of course no question of opening a
 several fund in the case of a Railway-
 sided railway.

W. Reid 1/13/17
 The Uganda Railway was not

built for startling returns on a commercial basis. But it has now to be run as a commercial concern, or at least as a potent instrument in the development of that far larger concern, the E. A. R., & has come to pretty much the same thing. We may not live to see it produce a return which will at once cover the capital charges on the £8,000,000 odd which it cost to construct and yield as well a handsome contribution to the revenue of the Sty. But the thing is by no means out of the question, & we should act from the first as if it would come to pass. The Railway has already widened the gap (in the right direction) between receipts & working expenses at a far more rapid rate than its originators thought possible.

I think the strict & continuous maintenance of a capital account is essential for the reasons stated in C.A. So. Nig. & C.A. 12/31/07 So. Nig. R. 11/10/07 So. Nig. R. 11/10/07 should be governed by definitely 11/10/07 rules as to the allocation of expenditure between

the capital & ^{the} revenue accounts. Such rules might be those embodied in the paragraph of a contract for a railway in Malacca which forms the 2nd enclosure in C.A. So. Nig. 12/31/07, limited by the two checks suggested by Mr. Kelly in his minute of March 22nd, 1908, on C.A. 12/31/07 So. Nig. 12/31/07 342

To make the capital account of the Uganda Railway up to date would involve some comparatively trifling readjustments including, no doubt, the reallocation of the items of expenditure to which the Audit office call attention in this letter.

If the Finance Committee agree, we had better tell the Treasury that we propose to ~~reconstitute~~ direct that such an account shall be kept. They are not perhaps directly interested, as it is no question of increasing or decreasing expenditure, but only of deciding how to shew to the best purpose such expenditure as they, in their wisdom,

may approve. Whether further expenditure is to be charged to capital or maintenance ~~makes any difference to the~~ ^{practicable} ~~we shall~~ ^{essentially} ~~have~~ to prove to them the ^{need} ~~necessity~~ ^{of} ~~it~~. We shall ~~possibly~~ ^{possibly} have to come on them ~~possibly~~ for heavy expenditure on the improvement of the line & the purchase of new rolling stock to deal with the soda traffic from Lake Malawi. Such expenditure will be capital expenditure ^{par excellence}. If there is no running capital account, it will appear as a special head in the Protectorate Estimates for the year, & then be lost to sight for any purpose of ascertaining the true position of the line in relation to its cost.

The Treasury would of course never agree to a renewal fund for the Railway of an ^{un} ~~un~~ ^{cheaper} ~~cheaper~~ ^{aided} ~~aided~~ Protectorate. It would be asking them to set aside money every year to guarantee H.M.G. against the expense of having, say, to substitute 50 lb. rails for 55 lb. rails on

a section of the Railway. The same would not be worth the candle to a concern on so large a scale as the Imperial Govt. They would far sooner stand the racket when it is shown to be no longer avoidable.

But if ~~such~~ the Pte becomes self-sustaining, such a fund would also be in violation of the sound principle that a grant-in-aid should meet the needs of the year, & no more. The Treasury might be ~~possibly~~ allowing the Pte to pile up, out of the pocket of the British taxpayer, a fund which would only be drawn upon after the Pte had ceased to require aid from Imperial funds.

But if ~~such~~ the Pte becomes self-sustaining, it would be only common prudence to have a renewal fund for the Railway on the grounds stated, for the West African Railways, in W. E. L. minute on C.O. So Mip.
35490/09
The Finance Committee wish that

Paper?

Harb

Dec. 15

Mr. Fisher

To Finance Dept as

prepared

1/2

16/12

along with 7

East Africa Dept

This was considered by the Finance and Concessions Committee at their meeting today and the following was a copy of the portion of the Minute dealing with this subject:-

The Committee considered it desirable that a running capital account should be kept on the Uganda Railway as on the Gold Coast and Lagos Railway. It would be a purely paper account kept by the Railway Dept.

15. 20. April

Received
Mr. Read

Off. Renewal
Harb
May 2

EXCHEQUER AND AUDIT DEPARTMENT,

VICTORIA EMBANKMENT,

No. 1521

LONDON, E.C.

344

In any further correspondence on this subject,
the above number should be quoted,
and
the communication should be
addressed to
"The Comptroller and Auditor General."

25th November 1909.

33409

26 NOV 09

Sir,

I am directed by the Comptroller and Auditor General to acquaint you, for the information of the Earl of Crewe, that, in connexion with the accounts of the Uganda Railway, his attention has been drawn to certain charges included in the cost of the working and maintenance of the Railway, which would appear to be chargeable to the Capital Account rather than to the Working and Maintenance Account of the Railway.

2. As illustrations of the class of charges mentioned I am to refer to the undernoted items of expenditure which were included in the Statement of Working and Maintenance Expenses of the Railway for 1908-9 under Abstract (A) V.7., as detailed in Table IV printed on page 14 of the Administration Report for that year, viz:-

Estimate No: 5. Bungalow for District Stationmaster at Mombasa.

" " 70. Refreshment Room at Voi.

" " 80. Bungalow for Ships' Officers at Port Florence.

5. These particular works appear to be of the same character as those which are usually treated as Capital Expenditure, and with respect to No:5 it is noticed that a similar work at Nairobi which was carried out during 1905-6 was charged against Construction Funds, and at present stands as part of the gross capital expenditure of the Railway.

The Under Secretary of State.

COLONIAL OFFICE

4. In these circumstances the Comptroller and Auditor General would be glad to learn whether it is now intended that the provision contained in the Working Estimates of the Railway under "New Minor Works" should be utilised for such undertakings as those above referred to, or whether, on the other hand, all expenditure regarded as being of a capital nature should, if not properly chargeable against ^{the} unspent balance of the money provided by Parliament, be met out of specific provision in the Protectorate Estimates for "Railway Extraordinary Expenditure", and thus earmarked as a charge to the Railway Capital Account.

5. In this connexion I am to refer to the recent ruling contained in Lord Crewe's despatch to the Officer Administering the Government of the Gold Coast, No:243, of the 4th June last, which directed that a Running Capital Account shall be kept permanently open for certain West African Railways, and to enquire whether it is to be inferred that a similar account should be kept in connexion with the Uganda Railway.

I have the honour to be,

Sir,

Your obedient Servant

C. S. P. C. C. C. P. P.

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12790
42675

? 20
Subs

do
38409/19

346

5 May
April 1900

Sir J. M. 2

I am etc to transmit

to you, for the amount

of two d. c. of the drawing

the accompanying copy of

a letter from the A.O.,

drawing attention to

certain charges, included

in the cost of the working

and maintenance of the

Railway, which would

appear to be charged to

the Capital Account rather

than to the Working &

DRAFT

The Secretary to the

Treasury

MINUTE.

- Mr. W.B. 20/4
- Mr. B. 20/4
- Mr. Fiddes. 3
- Mr. Just. 3
- Mr. Cox.
- Sir C. Lucas.
- Sir F. Hopwood.
- Col. Seely.
- Lord Crewe.

ansd 15922 1/2

A.O. 25 Nov
(38209/19)

copy 138409 supply, with
copy of the to the for
for []

In Maintenance Account of
the Railway.

I had once considered
the ~~maintenance~~ ^{operation} of a
Running Capital Account to be
desirable in the interest of
the efficient
management of the Railway,

as being the only means
of showing the true
financial position of

the line ^{and of} basis of calculating
the net cost ^{incurred} of
the undertaking. Such

an account would have as
its basis the whole of
the ~~expenditure~~ ^{provision} made
for the construction,

Equipment of the line,
and would include in
cases provided,
addition all sums, ~~provided for~~
~~revenue or otherwise hereafter~~
~~incurred or to be incurred~~
~~for the purposes~~ which would

properly be charged as
Capital Expenditure.

It would include ^{the} ~~the~~
costs not ~~included~~ ^{incurred}

the Capital Account ~~of~~
of the Railway which ~~is~~
at present ^{is} ~~is~~
in connection with the ~~appropriation~~
of the vote for ~~the~~
of it ~~is~~ ^{is} ~~is~~

to ~~be~~ ^{be} ~~be~~ a Running ~~Account~~

Account ~~and~~ ^{and} ~~and~~

to ~~be~~ ^{be} ~~be~~ ^{be} ~~be~~

to ~~be~~ ^{be} ~~be~~ ^{be} ~~be~~

It is necessary to add
to the Capital Account already rendered
some particulars of the small

Items
and accounts, including,

to be sent to the authorities

of the class of Expenditure

to be sent to the

of the class of Expenditure

of the class of Expenditure

3. As the question is not one

of merely

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in ascending to the

proposal. If I have

to be laid out to the

to draw up a code of

rules, similar to those laid

down for the W. African

Parliament, governing the

allocation of Expenditure

between the Capital &

Maintenance accounts.

4. I am to request the

frame of an early reply.

As it is desired that the

best system of keeping

accounts should be brought

into operation as soon as

W. & A. STODOLSKY