

1933

Kenya

7

No. 3045

SUBJECT

CO 533/432

R. W. Railway Estimates 1933.

Previous

1829/32

Subsequent

3174/32 (Financial Section)

23589/31 (Supply & Stores)

Considers it would not be profitable to go into the position very closely until Gibbons part has been studied. raises various points or suggests amendments to draft despatch for answer.

This is satisfactory as regards the position marked A. The Woods seems to have misunderstood the position.

The Balance of Funds (excluding Provident Fund) is clearly shown in para 3 (g) of 3 + (18.29.7)/32. The ~~total~~ then 9000 in his view. The Cash position was at two periods.

by including 2 sub items of assets and liabilities

and in the Cash he includes the Provident Fund cash of £15,000 and £15,000 odd respectively with negligible amounts.

As regards B the suggested amendment seems unobjectionable.

? Reply including a copy of Gibb and say that the Report will be considered by the Finance Conference meeting on the 20 Feb. As regards A say that it is in para 3 (g) of this despatch clearly shows the ~~total~~ balance of the funds to be £753,747 including Provident Fund and that although in his statements of the Cash position in the 2nd sub para of 3 (g) he does include the Provident Fund cash this is so small (£15,000 and £17,000) that it can be ignored.

and agree as regards B
The draft transport may be amended
as at B.

J.P. 10/11/53
15/1/53

I agree
The draft transport may be amended
as at B.

2 HG 12/1/53
10/1/53
FEB 4 1953
11 Feb 53

2A No 5
Tel. to HC Transport 13 Feb 53
(5 on 18/2/53 and 2 on 19/2/53)

3 To Gov. Conf. (w/memo) comm 16 FEB 1953
14/2/53

No. 5 was inadvertently
addressed to the Gov.
instead of the H.C. for
transport.

After speaking to
the H.C. I submit
the draft transport
making that the draft
may be transferred to
the H.C. for transport.

17/1/53
17/1/53
17/1/53

4 to Gov. Sec
5 Treasury (20/2/53 + 3) 18/1/53 - 20/1/53
3 per 20 FEB 1953

6 off Congo Transport Leaf
Points out certain differences which occur in
transport Estimates 1933 as compared with those of
Uganda & financial explanation thereof.

The only item which is not
self-explanatory is that regarding the
postponement of the sinking fund
contribution to the Uganda £2,000,000 loan
of 1932 for which provision is made on
page 78 of the K. U. R. Estimates 1933.

This is explained at 54 and
50 in 22011/32 Uganda. The position
is that owing to the postponement of the
first payment of sinking fund
contribution will fall due on 1st Sept 1935.
No provision is necessary for the same.

in KOK Railway 5 to 1933 and
the Railway deficit for 1933 falls to
rounded by £7,395
? Public

H.S. Ponsford
28/2/33

attached
attm 20

(4)

7 To G.H. Woods (Tg) (1 ann.) 210 4/3/33
(1931 cont. 4235)

8 All Goms. Transport 27 _____ 4-9-33
Draws attention to certain differences in KOK estimates
1933 as compared with those of the Colony & furnishes
explanation thereof.

? Public

H.S. Ponsford
11/4/33

... may have a copy LF

A. ...

...

...

1 ... (copy of F) 15/6 — 24/33

(N)

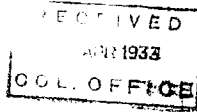


OFFICE OF THE HIGH COMMISSIONER FOR TRANSPORT,
GOVERNMENT HOUSE,
NAIROBI,
KENYA.

TRANSPORT

KENYA-UGANDA.

NO. 27



7th. March, 1933.

Sir,

I have the honour to invite your attention to certain differences which occur in this Administration's Estimates for 1933 as compared with those of the Kenya Colony and to explain how these differences have arisen. The differences are as follows:

1. <u>Loan of £5,000,000 (1921) Interest on Sinking Fund.</u>	
Estimates of Kenya Colony, page 18, Item 17	£297,177
Estimates of this Administration, page 78, Appendix II, Item 2, and page 79, Appendix III, Item 1	<u>309,913</u>
Difference	<u>12,736</u>

This difference is due to the fact that this Administration's estimates were passed before your telegram No. 29 of the 22nd November, 1932, was received in regard to the reduction in Sinking Fund Charges to 1%.

2. <u>Reimbursements from the Kenya Government in respect of Branch Line Guarantees.</u>	
Estimates of Kenya Colony, page 80, Item 12	£24,125
Estimates of this Administration, page 78, last line but one,	<u>23,689</u>
Difference	<u>436</u>

THE RIGHT HONOURABLE
MAJOR SIR PHILIP CUNLIFFE-LISTER, G.B.E., M.C., M.P.
SECRETARY OF STATE FOR THE COLONIES,
DOWLING STREET, S.W. 1.

This/

This difference represents the estimated loss in working in excess of the interest and Sinking Fund charges on the Naru Moru - Nanyuki Extension. It will be credited to Revenue should the actual loss in working exceed the amount of interest and Sinking Fund charges.

3. Interest on Unspent Balances of £2,500,000 (1924) Loan and £3,400,000 (1920) Loan.

This Administration's Estimates, pages 78 and 79 £4,770

Kenya Colony Estimates Nil

Difference 4,770

The Kenya Government state that the payment of interest on the Railway Loan balances will be made from Revenue accruing under Revenue Head K., Item 4, page 17 (Interest on Surplus and Loan Balances) of the Kenya Colony Estimates.

4. Contribution in lieu of rates.

Estimates of Kenya Colony, page 18, Item 26 £10,915

This Administration's Estimates pages 56 and 73 11,738

Difference 823

This difference is caused by the fact that when this Administration's Estimates were drawn up these contributions were assessed on what it was expected the rate would be at Mombasa, whereas the figures shown in the Kenya Colony Estimates were based on the rate ultimately fixed by the Mombasa Municipal Authorities whose decision as to the rate was not made until this Administration's Estimates had been submitted to the Railway Council.

5. Land at Mbaraki.

In the Kenya Colony Estimates, page 80, Head XVII., Item 26, provision is made for £70 for rent of land at

Mbaraki./

Mbaraki. The rent, which should be recoverable, in respect of this land is £140. The Kenya Government have agreed that the figure of £70 in their estimates is incorrect and that the correct figure of £140 will be inserted in their final estimates.

I have the honour to be,

Sir,

Your most obedient, humble servant,

C. G. Walker
for
HIGH COMMISSIONER.

C. O.

Mr. Priestman, 2/3/33.

Mr. *Wood*
Mr. *Wood*

Mr. Parkinson

Mr. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh

Perm. U.S. of S.

Party U.S. of S.

Secretary of State.

S.O. for Mr. Freeston's signature.

4 March, 1933.

DRAFT. *Cms*

J. H. WOODS, Esq.

Dear Woods,

I am sorry for the delay in replying to your letter of the 8th February on the subject of the Estimates for 1933 of the Kenya and Uganda Railways and Harbours Administration.

You will have seen from our official letter of the 20th February that your suggested amendments were incorporated in the despatch to the High Commissioner.

I enclose for your information a copy of Gibb's Report on Railway Rates and Finance in Kenya, Uganda and Tanganyika Territory.

(Cms 4235)

Territory. It is being considered
at the Conference of East African Governors
now in session at Entebbe.

There remains your enquiry about the
inclusion in the cash position of the amount
standing to the credit of the Provident Fund.
You will notice from page 77 of the Estimates
that the figure of £758,747, which is given
in para.3 (G) of the High Commissioner's
despatch of 30th September, 1932, as the net
balance of the Fund is reached without taking
into account Provident Fund investments.

should also mention that at the
request of the General Manager of the Transport
Administration, the date on which contributions to
the Sinking Fund of the Uganda £2,000,000 loan of
1932 will be given has been postponed until 1935.
This has the effect of reducing by £7,395 the
provision necessary by the Railway this year, as
shown on page 78 of the 1933 Estimates, under
Item (1) Sinking Fund.


(Signed) L. B. FREESTON



86

OFFICE OF THE HIGH COMMISSIONER FOR TRANSPORT,
GOVERNMENT HOUSE,
NAIROBI,
KENYA.

CONFIDENTIAL.

TRANSPORT.

KENYA-UGANDA.

RECEIVED
20 FEB 1933
COL. OFFICE

24th January, 1933.

No.

Sir,

I have the honour to invite your attention to certain differences which occur in this Administration's Estimates for 1933 as compared with those of the Uganda Protectorate, and to explain the reasons for these differences which are as follows:-

1932 UGANDA LOAN OF £2,000,000.

INTEREST.

Estimates of Uganda Protectorate page 14, Item 6.		244,146
This Administration's Estimates page 78, Item 1.	244,371	
Less reimbursements from Uganda Government in respect of telegraph line (this is included in the £420 in the last line on page 78)	226	<u>44,146</u>

SINKING FUND.

Estimates of Uganda Protectorate page 14, Item 6.		Nil
This Administration's Estimates page 78, Item 1.	27,395	
Less reimbursements from Uganda Government in respect of telegraph line (this is included in the £420 in the last line on page 78)	38	<u>7,357</u>

It is presumed that provision is not being made in the Uganda Protectorate Estimates for Sinking Fund in anticipation of your sanction which was conveyed in your

THE RIGHT HONOURABLE
MAJOR SIR PHILIP CUNLIFFE-LISTER, G.B.E., M.C., M.P.,
SECRETARY OF STATE FOR THE COLONIES.

Transport/

22/11/32
Uganda
in care

transport Confidential despatch of the 23rd December, 1932.

2. The amount of £157 shown in the Estimates of the Uganda Protectorate on page 96, Head XIIa., Item 3, is provided for in this Administration's Estimates under reimbursements from the Uganda Government in the balance of the £420, the last item on page 78. The difference of £1 is due to rounding off shillings to pounds.

3. The £180 provided in the railway Estimates on page 78, Item 5, line 4, in respect of interest on unspent balances of the £2,000,000 1932 Uganda Loan is not shown in the Uganda Protectorate Estimates since the unspent balance of the transport proportion of that loan is in this Administration's hands.

I have the honour to be,

Sir,

Your most obedient, humble servant,



HIGH COMMISSIONER.

C. O.

3045/34 Kenya.

11

- Mr. *Booley* *11/3*
- Mr. *Held* *11/3*
- Mr. *Br*
- Mr. Parkinson
- Mr. Tomkinson
- Sir C. Bottomley
- Sir J. Shuckburgh
- Perm. U.S. of S.
- Per. U.S. of S.
- Secretary of State

BY AIR MAIL

18/2

CONFIDENTIAL

[Handwritten mark]

The Under Secretary of State

for the Colonies presents his compliments to the Colonial Secretary and begs to state that through inadvertence ^{*the 17/2*} ~~his~~ Confidential despatch of the 16th February, regarding the Estimates of the Kenya and Uganda Railways and Harbours Administration for 1933, was addressed to the Secretary of Kenya instead of the Secretary of the Commission for Transport.

DRAFT.

concern.

(No. 3)

and *[Handwritten mark]*

It is requested that the

despatch may be treated as confidential.

3-12

C.O.

This encloses the Trans' alterations
may now cease

Mr. Priestman 23/1

Mr. *Cracy* 24/1/33

Mr. *Grant* 27/1/33

Mr. *Tomlinson*

Sir C. Ballowley.

Sir J. Shuckburgh.

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

13.2
13.2

Answered by No 5
31/1/33
16 February
January, 1933

15

Sir,

I have etc. to confirm my

telegram No. 5 of the 5 of Feb 1933

which reads as follows:-

DRAFT. Amson V. Bunch.

KENYA

The High Commissioner
for Transport.

Confidential

(5)

"No. Confidential Your telegram
of the 19th December, 1932, No. 33,
Confidential. Railway estimates
approved. Despatch follows ~~later~~.

I assume that the
2. ~~The~~ revised estimates for 1932
~~now~~ ^{show} anticipate deficits on the year's
working of £225,102 in respect of
the Railways and £82,148 in respect of
the Harbours, as compared with ^{the}
^{original} estimated deficits of £124,958 and
£37,305 respectively, in the approved
~~estimates.~~

The estimates for 1933, after
making full provision for depreciation

-and

Copy to Treasury

So good draft for
Secretary, London

3 drafts

and loan charges, anticipate deficits

as follows:-

Railway	£168,654
Harbours	£55,545

3. ^{These} The above mentioned deficits together with the ~~balance~~ ^{actual net} deficit of

£361,394 in 1931 (actually £378,184

of which £16,790 was met from the

~~Balance of the Reserve Account, would~~

~~bring the Deficit Account up to~~

£392,844 at the end of 1933.

4. In spite of the position disclosed above the cash position is

safeguarded so long as expenditure on renewals and betterment can be

deferred, and I note that no such

expenditure of any magnitude is

~~expected~~ ^{not expected} in 1933.

4. V. Excluding depreciation and loan charges, the ordinary working expenditure of the Railway has been reduced

to £994,139, which is £604,273 less

than the approved estimate of 1931, and

~~the~~ ~~the~~

C.O.

Mr.

Mr.

Mr.

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Bottomley.

Sir J. Shackleton.

Perm. U.S. of

Parly. U.S. of

Secretary of State.

DRAFT.

~~The~~ departmental expenditure of the Harbours has been reduced by £62,000 from the 1931 expenditure figure of £135,396. I observe that you are satisfied that expenditure has been brought to an almost irreducible minimum.

As regards the outlay for 1933, these estimates were framed in August, 1932, and the revenue figure is based on the world prices for primary products ruling in the middle of 1932. ^{at that year.} At the

^{present} ~~same~~ time prices generally - both sterling and gold - are still falling, ^{and, at least,}

Primary sterling prices have ~~never~~ ^{kept up} hitherto been maintained at a level considerably better than sterling

prices generally, ^{it is not yet possible to take an optimistic view of the general situation.}

^{Since the date of the compilation of these estimates it has become apparent that the Uganda cotton crop}

helpful features in the outlook.

will be considerably in excess of the previous record - a yield of 275,000 bales is now anticipated; in Kenya the coffee crop is reported to be excellent and other crops are stated to be doing better than they were in May, 1932; in addition further revenue to the Railway may accrue from the development of the

Kayirondo gold field. ~~in the circumstances the estimate of revenue for 1933 appears to offer some prospect of realisation.~~

6. The policy governing the provision to be made for renewals and reserve which was formulated in consultation with the Lords Commissioners of the Treasury and conveyed to you in Lord Passfield's despatch No. 24 of the 9th of March, 1931, is that the provision for renewals should be at the rate of 2% for the years 1931 to 1933 inclusive on the understanding that the

basis

C. O.

Mr.

Mr.

Mr.

Mr. Parkinson.

Mr. Robinson.

Sir C. Bottomley.

Sir J. Sticksburgh.

Peru. U.S. of S.

Party. U.S. of S.

Secretary of State.

DRAFT

basis (3.11%), was accepted as a proper one and that the short provision for the years 1931 to 1933 would be made good later on a plan to be approved by the Treasury. (2) a Reserve Fund of £500,000 should be accumulated as rapidly as circumstances allowed and, if possible, by the end of 1931, on the understanding that the sanction of the Treasury would be sought before recourse was had to the Renewals Fund to meet an emergency.

7. In practice provision for renewals has been made in accordance with the agreement in (1), but as regards (2) the emergency allowed up the small reserve available at the end of 1931 (and accumulated the ~~it was decided~~ procedure, adopted with the consent of the Lords Commissioners of the Treasury, of carrying the deficits for 1931 and 1932, after making full

provision

provision for renewals, to ²deficit
Account. The consent of the
Treasury was given on the understand-
ing that the Governments of Kenya and
Uganda might have to be called upon
to give assistance if the deficits
should cause a shortage of cash. As
I have noted in para. 5 above, ^{however,}
such shortage is not likely to occur
in 1933. ^{and the} Lords Commissioners of
the Treasury have therefore agreed,
on similar conditions, to the deficit
for 1933 ^{that year} being also charged to ^{the}

Deficit Account.

8. The estimates for 1934 will be
affected by:
- (1) the ^{not taken on the} recommendations in the Report
of Mr. Roger Gibb on railway rates
and finance in Kenya, Uganda, and
T.T., which will shortly be published;
 - (2) the contemplated increase of the
provision for depreciation by about
£60, 000; and
 - (3) the question of the liability for
the

C. O.

Mr.
Mr.
Mr.

Mr. Parkinson.
Mr. Tomlinson.
Sir C. Bottomley.
Sir J. Stuckburgh
Perms. U.S. of S.
Parly. U.S. of S.
Secretary of State

DRAFT.

5 on
17402/31

receive an appreciation
of the financial position as described
at the end of six months
working.

the cost of the original Uganda
railway which is due for settlement
this year.

~~It is not possible to discuss~~
or lay down future policy without
regard to these factors, the effect of
which cannot at present be appreciated.

^{1/10}
~~9. I have therefore, after~~
consultation with the Lords Commrs.
of the Treasury, ^{I have} decided to approve
the estimates of revenue and expenditure
for 1933 in the form in which they
have been submitted, but I desire that
the procedure suggested in my Confidential
despatch of the 14th of January, 1932,
should continue to be followed ^{(in order} to
ensure that steps will at once be taken
to deal with any further deterioration
in the finances of the Railway which
may arise. ^{in particular I shall be glad to}

10. ~~I enclose for your consent.~~ A
memo. dealing with matters of detail, is
enclosed for your ^{consideration}.
^{I have etc.}

11. I desire once again to express my

high appreciation of the efforts which have
been made by the Railway and Harbours
Administration to equate expenditure with
a rapidly falling revenue, while
preserving unimpaired the ability of the
transport organization to play its
part in the service and development
of Kenya and Uganda.

(Sgd.) P. OUNLIFFE-LISTER.

MEMORANDUM.Draft

Mr. Priestman. 23/1.

Mr. Creasy. 27/3

Mr. Freeston.

1. Dead Assets and Obsolete Stores.

The result of the proposed investigation into the adjustments necessary on this account will be awaited with interest.

2. E.A. Dependencies Trade and Information Office.

£2,400 is provided under Item ix(b)

Publicity in Abstract E, General Charges, of the Railway section for the London Office and Overseas Advertising. The following items

included in this sum can be omitted for consideration: (a) salary of London Representative £600; Advertising £500; Total £1,100. The total provision remaining is consequently £1 300 from which to furnish

- (1) the Administration's contribution to the Central Office:
- (2) Expenses necessitated by the maintenance of a special railway representative at the Central Office e.g., stenographer's salary and office expenditure.

As a result of the recommendation of the Governors' Conference at Dar-es-Salaam (1) was fixed at £1,000. Consequently provision for (2) is reduced to £300. Half the share of the cost to be borne by the special railway section according to the financial figure supplied to the Secretary of the Governors' Conference is £336, but this includes no provision for a stenographer.

See (140) in

27004/32. E.A.

The sum of £300 (3)

5. 46

A sum of £104 must be added for this service, making in all £440, to meet which provision of £300 only has been made. Additional provision of £140 will therefore be required.

3. Magadi Soda Company Limited.

18074/32.

The temporary modification of the Railway Lease with this Company for the period from the 1st of November, 1932, to the 31st of October, 1934, whereby outward freight on soda goods is fixed at a minimum of £37,000 for the two years in question, will presumably necessitate an adjustment of the estimate of revenue.

4. Loan Sinking Fund Charges.

(1 in 16321/32)

The approval by the Secretary of State in his telegram No. 29 of the 22nd November, 1932, to the ~~High Commissioner~~ of the reduction of the contribution to the Sinking Fund of the £5,000,000 1921 loan from 26 shillings to the legal minimum of £1 per cent. ~~producing a~~ ^{with further yield a} saving to the Railways and Harbours Administration of £12,736 which is not reflected in these estimates.

(Vide memo.
on Colony estimates
1933)

Colonial Office.

January, 1933.

C. O.

3046/30

27A

Mr. Fisher 11/2

Mr. Flood 13-2

Mr. *at once*

Mr. Tomlinson.

Mr. G. Bottomley.

Sir J. Shuckburgh.

Sir G. Grindle.

Parnt. U.S. of S

Parly. U.S. of S.

Secretary of State

Young

Codes Found 9/10

G 18/1/33

C. O.
14 FEB
14

DRAFT. Tal.

Hughes Nandi

(5) (5)
copy to Treasury

No. 5 Conf. from tel. 19 Dec

No. 33 Conf. Railway

Estimates approved dispatch follows

See

and off dep

18 2

Telegram from the High Commissioner for Transport, Kenya and Uganda to the Secretary of State for the Colonies.

Dated 11th February.

Received 8.53 a.m. 11th February, 1933.

No. 4. Confidential.

N 05

18297

My telegram No. 33. Confidential. I have sanctioned withdrawal of such money as necessary to carry on service pending your approval to this administration's estimates for 1933 which I trust may shortly be despatched.

Answered by 2/11



1933
1500. G.P.

TREASURY CHAMBERS,
WHITEHALL, S.W.1.

8th February, 1933.

reply
please quote Regd. No.

Chambers

Dear Freeston,

No 6

18277/32

This is in reply to your letter of the 3rd
February, 1933 to Grieve on the subject of the 1933
Estimates of the Kenya and Uganda Railways and Harbours
Administration.

I have not gone into the position very closely
nor do I think it profitable to do so at the moment,
since as you say we must study Gibbs' report before we
can make up our minds on future policy.

Broadly speaking the present situation, though
not desperate, cannot be said to be really healthy. It
is true as the Governor points out that the accumulated
deficit at the end of 1933 will be more than covered
by the accumulated balance of the fund, and so long as
little or nothing is required for renewals, the ^{Cash} position
is all right. But one cannot go on on this basis for

ever

L.R. Freeston Esq., C.S.E.,
Colonial Office.

ever since clearly at some stage there will have to be pretty heavy expenditure on renewals.

Moreover, from the abbreviated balance sheet which I have seen, it looks as though the renewals and betterment funds really represent ^{in the main} a depreciation reserve and if so it is clearly unsound that this reserve should be earmarked against accumulated deficits.

No doubt these matters will be dealt with fully in Gibbs' report however and we need not pursue them at the moment.

Incidentally, is it sound for the Governor to include in the balance of funds to set against the deficit, the amount standing to the credit of the "Provident Fund"?

We cannot dissent from the view that the realised deficit for 1932 should be carried to the balance

balance sheet, and we have no comments on your draft despatch except that by comparison with the corresponding despatch of a year ago (12th January 1932), it swings perhaps a little far in the direction of optimism, especially in view of the 1932 out-turn. I suggest for your consideration that the third sentence of paragraph 9 might start "At the same time there are certain hopeful features in the outlook, for instance...."; and that the last sentence of paragraph 9 "In all the circumstances unrealised" might be omitted. It might also be well to add a sentence to the end of paragraph 10 asking for a report not later than the end of July on the results of the half year's working.

Yours sincerely,

Mr. Wood