

1935

38179 //

KENYA
CO 533/460

1935

38179 //

Kenya - Uganda Railways and Harbours

Locomotives.

Previous

Subsequent

1937

Room 297 10/8

R. 309 25

D.C.A. 3/8

R. 299 1/9

Mr. Hood 1/9

M. Walker 2/9/84

Mr. Hood 2.9

Room 289 4/9

R. 297 11/9

R. 303 11/9

298 12/9

A. 297

C.S.
Transport
K.V.R.

1. A.Cmrs Transport 63 _____ 28th June 35.

Reports the withdrawal of 36 E.B. Locomotives from service & seeks sanction for spreading of the charge of £88,122. to the Net Reserve Account in respect of the unexpired life of these assets in equal instalments over the next five years.

Reference to the large quantity of obsolescent engines was made in the Debate on the KVR Estimate for 1935. See pages marked in the volume here with.

We are assured that everything feasible has been done to dispose of these 35 old engines, but a purchaser cannot be found.

The expired life of the locomotives is assessed at £261,77, & the unexpired life £88,12. The latter amount forms a charge against net revenue, but it is proposed that the amount should be spread over a period of 5 years. At the expiration of that period the sum of £88,12 will be available together with a sum of £261,77 from the Renewal Fund, for the purchase of additional Capital assets.

The arrangement seems satisfactory & it is recommended by the Railway

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The arrangement seems satisfactory & it is recommended by the Railway

Railway Council.

Subject to the opinion of the
RCA that His proposal
may be approved

C. F. G. F. Smith
27 Aug 35

Mr. Flood,
I had toyed with the idea that these
engines might be offered to Italy for
use on the new railways now being
built in Eritrea & Somalia; but I
learn a engine from W.O. that the
Italian gauge is 95 cm., - which
cannot carry a metre-gauge locomotive.

? As proposed

L. B. Fletcher
8/8

No: 3677/14.

Mr. Flood,

I see no objection to approval being
given. There is a point of accounting
involved, but I will take this up with the
Auditor when you have informed me that the
High Commissioner's proposal has been
approved.

J. C. Fisher
Deputy Director of
Colonial Audit.

27 AUG. 1935

2 To H.C. Sept. 75 (closed) 31 AUG 1935

Seen

Deputy Director of Colonial Audit

1 Sept 1935

Extract from Kenya Gazette No 49 d. 8/10/35
attached in acc. with min. n 38040/25 (Part 4)

DESTROYED UNDER STATUTE

Reference for record
? Put by

C. F. G. F. Smith
29 Aug 35
J. C. Fisher
29 Aug 35

4. H.Commr. Tpt.No.57.----- 10.7.30.
Ref.No.2; in view of improvement in financial position
recommends that the write-off of the whole or this
liability should be made by debiting it to the Net
Revenue Account in 1936.

Mr. Flood,
I have no objection to the
proposal.

No. 3677/14.

Mr. Flood,

No objection.

May I have a copy of the despatch which
is sent?

31 AUG 1936

J. C. Fisher
Deputy Director
of Colonial Audit.

Mr Walker

You may like to see. The effect will be of course to reduce the book revenue for 1936 by the whole £88,000 instead of one fifth of it.

There is no objection and it will clear the air. But the thing is odd.

They bought the engines years ago and paid for them. They are now being scrapped five years before their 'life' is up.

The renewals fund contains £261,177 on account of the expired life of the engines & the £88,122 is the balance of the total amount which would have been in the fund at the end of the life. So it is proposed to push that balance into the fund and have in it the whole £349,299 representing the cost of the engines. But they are not being replaced so the sum will be available for something - maybe new engines in the future - maybe not.

I should have thought myself that a better move would be, since there were not going to be any renewals, to put the accrued £261,177 into the General Reserve, write down the assets "working assets" by the value of the engines, and then, if later they bought new engines, to charge them up to capital and start fresh renewal contributions.

But it is all very involved. No money will be spent, so it becomes an 'accounting' matter.

J. S. D. Head
19.36.

Mr Flood

A renewals fund is the Railway way of providing for depreciation.

Depreciation should write off the asset over its working life. These engines did not survive for their theoretical working life & there is 5 years accrual of depreciation to make good. The quicker that is done the better & the proposal in No 4 is very

satisfactory.

As regards accounting, the instruction quoted in No 1 does not direct the £88,122 the fact into the Renewals Fund, but the writing to Capital into the Renewals Fund and £261,177 from the Unspent Expenditure in Company and £261,177 from the Renewals Fund, the effect being to write off the Renewals Fund, & to set free £349,299 of capital cost of the engines, & to set free £349,299 of capital monies for the purchase of engines or other capital assets. On such purchase the capital expenditure account is debited & restored to its original figure.

If the £261,177 were credited to a reserve or replacements suspense account, it would not be available for writing down the capital available finance, for writing down the capital assets in accordance with the instruction quoted. Otherwise I think procedure will be as you suggest at X.

G. Walker
29.36

All right.

We can now

Approve the proposal in 4. I can do
have a copy of the draft

J. S. D. Head
27.8.36

4) To H.C. Dept. 86 (4 agreed) 9 SEP 1936

6.3 A.C.A (w/c 5) B/16. — 12 Sept 36
G.W.

C. O.

38171/35. 55

Mr. Evans 2-9.

Mr. Parker 3-9 f.s.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

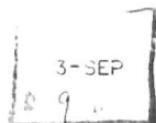
Sir C. Bottomley.

Sir J. Shuckburgh.

Permit. U.S. of S.

Party. U.S. of S.

Secretary of State.



September, 1935

N

DRAFT. corss.

Transcript:

Kenya - Uganda.

No ... 86

High Commissioner

FURTHER ACTION.

Copy to D.C.R.

WF.

to you despatch No 57

(4) of the 16th July and
to inform you that I
affirm your recommend-
ation that the ~~cost~~
~~of the defunct liability~~

~~£ 88,122~~
~~charge~~ of £ 88,122 in
respect of the unexpired
life of thirty-six
locomotives should
be debited to the

Net Revenue Account in
the current year.

I have etc

(Signed) W. ORMSBY GORE.

S. O. S.



TRANSPORT

KENYA - UGANDA

NO. 54

OFFICE OF THE HIGH COMMISSIONER FOR TRANSPORT,
GOVERNMENT HOUSE,

NAIROBI,
KENYA.

RECEIVED

10 AUG 1936

C. O. REGD

16th July, 1936.

Sir,

I have the honour to refer to Mr. Malcolm MacDonald's
^{Transpt} despatch No. 75 of the 31st August 1935, in which he approved
the proposal that the charge of £88,122 to Net Revenue
Account in respect of the unexpired life of 36 locomotives
should be spread over the next five years in equal annual
instalments. In view of the very much improved financial
position of the railway, and the prospect of a considerable
surplus at the close of the year's accounts, I recommend that
the write-off of the whole of this deferred liability should
be carried out by debiting it to the Net Revenue Account
in 1936.

If you approve this recommendation I propose to
arrange for the inclusion of the necessary provision in the
supplementary estimates which will be presented to Railway
Advisory Council towards the close of the year.

I have the honour to be,

Sir,

Your most obedient, humble servant,

(B. Burton)

HIGH COMMISSIONER.

THE RIGHT HONOURABLE

W.C.A. ORMSBY-GORE, M.P.

SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET, S.W.1.

C. O.

Mauritius
29/8/35

Mr. Hunt 29/8/35

Mr.

Sir C. Parkinson.

Sir G. Tomlinson

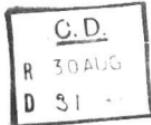
Sir C. Bottomley.

Sir J. Shuckburgh.

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.



Sir

August 1935.

DRAFT.

Dear Sir.

Kenya-Uganda.

No. 75

High Commissioner

FURTHER ACTION.

D.C.A. to see

I have the to
ach. the receipt of your
despatch No. 63 of the 28th
of June, regarding the withdrawal
from service of 36 E.B.
Cooperatives purchased in 1920,
and to inform you that I
approve ^{your} recommendation that
the charge of £88,122 to the
Administration's Net Revenue Account
in respect of the unexpired
life of these ^{cooperatives} assets should be
spread over the next five
years in equal annual
installments, provided that the
deferred contribution from Net
Revenue Account is not utilized for

for the purchase of additional
capital assets until such time
as the actual contribution
is made.

I have

etc

(Sgd.) WALTER MACDONALD



TRANSPORT .

KENYA - UGANDA.

NO. 63

RECEIVED

OFFICE OF THE HIGH COMMISSIONER FOR TRANSPORT,

29 JULY 1936

C. O. REGY

GOVERNMENT HOUSE,

NAIROBI,

KENYA.

28 June 1936.

Sir,

Ahd
330/35.
I have the honour to invite your attention to
your predecessor's despatch No. 69 of the 26th July 1934,
wherein approval was given to the revised instructions
governing the Allocation of Expenditure of the Transport
Administration. Part II, Section III.1 (b), of those
instructions reads as follows :-

"When the original cost of an asset exceeded
£250, Renewals Fund is debited with such cost
up to the value of the expired life of the asset,
when of a class contributing to Renewals Fund,
calculated upon its original or improved capital
cost without minimum as to amount. The difference
between the contribution from Renewals Fund and
the original or improved capital cost is charged
to Net Revenue account without minimum as to
amount. The sum of the amounts charged to Renewals
Fund and Net Revenue (i.e. the original or
improved capital cost) is credited to the appro-
priate head of Capital Account Expenditure, and
becomes available for the purchase of additional
Capital Assets."

Annexed (2)

1. This Administration is for some years been
compelled to use out of traffic, owing to their inability
to handle the increased loads necessary for economical
working, 36 L.M. Locomotives which were purchased in 1920
and it is most improbable that it will be possible to employ
these 36 engines economically in the future. They should
therefore be withdrawn from service as provided in Part II,
Section III.1 (b) and Part III.V(3) of the Expenditure
Instructions.

2. The original cost of these locomotives was

THE RT. HON. MALCOLM MACDONALD, M.P.,
COLONIAL OFFICE,
DOWNING STREET, S.W.1.

£349,299.

£349,299 and ordinarily their withdrawal would result in a debit to the Renewals Fund in respect of the expired life of the engines of £261,177 the balance of £88,122 forming a charge to Net Revenue Account making a sum of £349,299 available for the purchase of additional Capital Assets. The unexpired life of these Locomotives is 5 years and, if they are now withdrawn from service, the charge to Revenue in respect of Depreciation during each of the next five years would be proportionately reduced.

4. It is therefore considered that the charge of £88,122 to the Administration's Net Revenue Account in respect of the unexpired life of these assets might reasonably be spread in equal annual instalments over the next five years, with the proviso that the deferred contribution from Net Revenue Account will not be utilized for the purchase of additional Capital Assets until such time as the actual contribution is made.

5. This matter was considered at a recent meeting of Railway Council and Council recommended that the 36 Engines should be withdrawn from service and that your sanction should be sought to the special adjustment proposed in paragraph 4 above. Such a procedure is provided for in special cases in Part I - II paragraph (3) of the Instructions which reads :-

"With the sanction of the Secretary of State an exceptionally heavy charge against Net Revenue Account in respect of assets withdrawn and not replaced may be spread over a number of years instead of being met in full in the year in which the assets are retired."

I concur in Railway Council's recommendation and trust you will accord your sanction to this special adjustment.

to
and

- 3 -

6. I would add that the Administration has, for some time, endeavoured, through the Crown Agents, to dispose of these engines. Those efforts, which so far have been unsuccessful, will be continued.

I have the honour to be,

Sir,

Your most obedient, humble servant,

Arnold

HIGH COMMISSIONER.