

1953

Kenya.



No. 3129

SUBJECT

C0533/435

K. A. R. Depreciation.

Process for Renewals

1. H. G. B. Transport, Conf. _____ 26 April 33

Submits that owing to the present financial position the question of increasing the contribution for provision for renewals at the full life rate should be deferred until 1936 & the liquidation of accumulated deficits be concentrated upon in the meantime.

I submit a separate minute — 1A —
and a statement showing depreciation
ratio and sinking funds — 1B —

H. G. B. minute
12/4/33

Mr. Panton's note set out the points being dealt with.
The possibilities are these :-

- (a) adhere to the 1930 bargain with the Treasury, i.e. provide for renewals on 1930 basis, costing an additional £490,000
- (b) the 1st proposal; i.e. a 5.11% basis setting off half the SE contribution. This would cost an additional £490,000
- (c) the 140's proposal; i.e. continue the 2 1/2% basis for two more years. Additional cost in 1935 £176,000

As regards (a), two new factors have supervened since the bargain was concluded

(i) the depression has been far heavier, and has continued for far longer, than could have been foreseen.

(ii) the minimum on the debt has been extended for four years, 1935 cases being

to be a year of particular significance.
As regards (b), I doubt whether Mr. Gifford will
succeed where General Hammond failed in
persuading Treasury of the propriety of
comparing Sinking Funds with Reserve Funds.
In favour of (c) it may be pointed out
that S. of B. has already agreed to relax
the Sinking Fund requirements, in view of the
economic depression, in the case of certain
Kenya & Uganda loans; and there is
something to be said, on general grounds,
for pressing on to parallel a larger share
of the burden.

[Handwritten signature]
12/11/33

NO 10 on
16250/50

what the Government is proposing is that
2 1/2% for renewals (as against the full top of
3.11%) should be allowed to go on till 1936
I do not think Treas' will object in the
discussion in 1930 it emerged that Treas' were concerned
because of the 'war debt' & 'war loan' debt liabilities which
were due to come up next year. These have now been
shelved for the present. Mr. Welford also said that
he didn't see any strong objection to a reduced premium
for renewals while the sinking fund payments were
running, if savings on that account were later
~~accumulated~~ earmarked to bring up the renewals fund
to its proper figure.

The proposals accepted by Treas' in 1930 were
that the Government should agree to allow
the Government to be allowed by the Government
to be allowed for carrying on as we are all and
the Government should be allowed to be allowed
the Government should be allowed to be allowed in
the Government should be allowed to be allowed to
the Government should be allowed to be allowed to
the Government should be allowed to be allowed to
the Government should be allowed to be allowed to
the Government should be allowed to be allowed to

? no proposed
J.S.D. Flood
1.5.33

(I think had to keep this & read it up & regret delay)

I agree that the H. Cr.'s proposal should be recommended to the Treasury.

Long-continued depression has forced us-- and most other people--into the region of expedients. One could write quite a lot about this matter, on both sides; but the decision has perhaps not much fundamental importance, so long as no surplus emerges. The deficit goes up, and the renewals fund increases: or the deficit is less high, and the renewals fund has a smaller balance. There is quite enough in the existing situation to keep the "political" aspect of the railway...

Part of the emergency... it doesn't seem necessary to refer to the postponement of the... Exchange, I do not think it would help.

Wald: 2-5-33
 No. 1000 (N.C.) also - 2-5-33

3. C.D. Ryan 7

State question of Renewals Fund contributions will have to be considered in connection with the bill report, but meanwhile basis of 2 1/2% may be continued for the year.

In a letter to Mr Green (No 8 on 10/34/33 - now in Mr. G. Swenson) General Hammond said "I agree also generally with what he (Gibbs) says regarding renewals but not with his proposal to reduce the annual renewals provision by half the sinking fund provision of the S.F. appropriation as applies to the capital stock on the existing assets for which renewals provision is made".

Gen. Hammond has not however been consulted on the H. Cr.'s present proposal.

It was not intended that the T.S. would object to the proposal... Now however they have done so however perhaps it will be thought desirable not to go any further but to agree in a 3% letter that the H.C. should be authorized to provide for renewals for 1934 at 2 1/2% pending consummation of the matter in connection with the Gibbs Report. And ask the T.S. for their formal opinion of this arrangement if this is done it will perhaps

be unnecessary to consult Gen. Hammond
on the matter at least not until it is
being considered in connection with the
Cable Report

TWO views 8/1

draft To C.F. Ryan (74) (as off. sec.) of Com. 10/16/23

5. C.A. Ryan of _____, 20 June 23
Agree that draft lib. should be sent.
~~however the language~~
? The fact may cause

C.F. Ryan
20/23

A. H. ...
12/16

let's
21.6

6. Tables II. To H.C. ... Conf. 11/16/23
(revised)

(A)

O. O.

3129/33

6
H 23 JUN
B 24

6 5

Mr.
Mr.
Mr.

as draft
and r/f

Kiery

Amount 1
Planning Comm
No 5 on file

Mr. Tomlinson.

Sir C. Bottomley. 22/6

Sir J. Stubbburgh;

Sir G. Grindle.

Paras. U.S. of S.

Party. U.S. of S.

Secretary of State.

W.H.

Conf

Conf

Dist

Collected
8.5 P.M.
22/6/33

High

High

Hand

SECRET



In reply please quote Regd No

S 32902/03/7



TREASURY CHAMBERS,
WHITEHALL, S.W. 1

20th June, 1933.

Dear Freeston,

I promised you a note in writing in reply

to yours of the 10th inst and enclosing a statement
the date for payment of the same should be

Halfway Street, Whitehall, S.W. 1

NOTE

L. B. Freeston, Esq.
Colonial Office

C. O.

3129/155

Kenya

Mr. Fenton 8/6 p.

Mr.

Mr.

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh

Perms. U.S. of S.

Party. U.S. of S.

Secretary of State

Answered by No 5

[Signature]

45 for me

C. O.
H 9-JUN
D 9 7

10 JUN 1933

DRAFT

C. F. Ryan for D.S. etc.

[Handwritten mark]

Dear Ryan

Thank you for

[Handwritten mark]

without the article I
Gill's renewals and
Sunday paper proposals
generally. We have
not thought it necessary

Person to consult him specifically
on the High Commission's present
proposal

Yours sincerely

(Signed) L. B. FREESTON

23



RECEIVED
20 MAY 1933
C. O. REGY

TREASURY CHAMBERS,
WHITEHALL, S.W.1.

In reply
please quote Regd No

S. 32902/03/7

29th May, 1933.

Dear Freeston,

No 2

Will you please refer to Colonial Office Letter of the 9th instant (3129/33) about the contribution to be made by the Kenya - Uganda Railways Administration to the Renewals Fund.

This question will have to be considered in connection with the Gibb Report. Meanwhile, since the High Commissioner says that the 1934 Estimates must be put in hand at an early date, we are willing that the existing basis of £25 should be continued for that year.

I doubt if we need go beyond this. The Railway Administration is naturally trying to reduce its deficit, but the same result will not be achieved by restricting the allocation to the renewals fund. On the other hand the experts, e.g. Hammond and Gibb, appear to think that depreciation should be provided for on a "life" basis. Have you consulted Hammond on the present proposal

L.B. Freeston Esq., O.B.E.,
Colonial Office,

83



In reply
please quote Regd No
S. 32902/03/7

TREASURY CHAMBERS,
WHITEHALL, S W 1

RECEIVED
10 MAY 1933
C. O. REGY

29th May, 1933

Dear Freeston,

No 2

Will you please refer to Colonial Office Letter of the 9th instant (5129/33) about the contribution to be made by the Kenya - Uganda Railways Administration to the Renewals Fund.

This question will have to be considered in connection with the Gibb Report. Meanwhile, since the High Commissioner says that the 1934 Estimates must be in hand at an early date, we are willing that the basis of 2% should be continued for that year.

I doubt if we need go beyond this at present. The Railway Administration is naturally trying to reduce its deficit, but the same position will not be maintained by restricting the allocation to the renewals fund. On the other hand the experts, e.g. Hammond and Gibb, appear to think that depreciation should be provided for on a "life" basis. Have you consulted Hammond on the present

proposal

L.B. Freeston Esq., O.B.E.,
Colonial Office,

proposad from Kenya - Uganda?

Yours sincerely,

C. Ryan.

C.O.

92



Mr. Priestman 5/5

Mr. *Archie*

Mr. Parkinson

Mr. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Permi. U.S. of S.

Parly. U.S. of S.

Secretary of State.

5

DOWNING STREET,

9 May, 1933.

Sir,

I am, etc., to refer to para. 6

S: 32902/03/4

of your letter No. *Λ* of the 24th

of February, 1931, on the subject of

the contribution to be made by the

Government of Kenya to the

of the ...

of the ...

of the ...

of the ...

of the ...

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of the ...

(761.14100/30)

DRAFT. (Custom)

THE SECRETARY,

TREASURY

of the contribution to be made by the Government of Kenya to the ... should be deferred to 1936.

B. Sir Philip Dunlop-Dunlop sees no reason to dissent from the High Commissioner's view that the economic depression has been greater and has continued for a longer period than

than could have been foreseen at the time when the arrangement mentioned in your letter under reference above was assented to by Their Lordships.

3. In the circumstances, he is disposed to agree to the High Commissioner's proposal to maintain until the year 1936 provision for renewals on the existing basis of £100,000 per annum, and the Tanganyika Territory, published on Oct. 1930, where he suggested that the provision should be on the full "life" basis, ~~against~~ ^{but} ~~that this~~ ^{that this} ~~provision~~ ^{might} should perhaps be reduced by half the amount of the Sinking Fund contributions.

C. O.

Mr.

Mr.

Mr. Parkinson.

Mr. Tomkinson.

Sir C. Boltonley.

Sir J. Stuckburgh.

Permt. U.S. of S.

Permt. U.S. of S.

Secretary of State

DRAFT

D. G. H. G.
This Report is to be examined by a special meeting of the Council of East African Governors to be held in September or October, and, in order not to prejudice the issue Sir Philip Cunliffe-Lister proposes, therefore, if Their Lordships agree, to authorise the High Commissioner

for Transport to provide for proposals

Signed: E. W. FLOOD

than could have been foreseen at the time when the arrangement mentioned in your letter under reference above was assented to by Their Lordships.

3. In the circumstances, he is disposed to agree to the High Commissioner's proposal to maintain until the year 1936 provision for renewal of the existing lease of

the territory of the Territory of the Tanganyika Territory, and the Tanganyika Territory published as Cmd. 4205, there is a suggestion that the provision should be on the full "life" basis, ^{but} ~~against~~ ^{that this} ~~which~~ ^{might} ~~provision~~ should perhaps be reduced by half the amount of the Sinking Fund contributions.

the Sinking Fund contributions.

C. O.

- Mr.
- Mr.
- Mr. Parkinson.
- Mr. Tomlinson.
- Sir C. Boltonley.
- Sir J. Shackburgh.
- Perin. U.S. of S.
- Perin. U.S. of S.
- Secretary of State.

DRAFT.

Th. Gibb's
This Report is to be examined by a special meeting of the Conference of East African Governors held in September. In order not to increase the burden on Sir Philip Cunliffe-Lister and his staff, therefore, if Their Lordships agree, to authorise the High Commissioner for Tanganyika to provide for the renewal of the lease of the Territory of the Tanganyika Territory.

Richard J. W. FLOOD

This latter principle was advocated by General
Arnold (vide para.6 of his memo. at 7 in 1622/30)
who suggested reduction by the whole of the
sinking fund provision but was not supported by
the Treasury (vide paras 14 and 17 of the
Treasury memo. at 11 & 12).

The General Manager of the railway has
always been opposed to a renewal rate of more than
2 per cent (vide 1 in 1625/6 and 1 in 17221/31).

The debt settlement mentioned in (a) above
has been postponed with the consent of the
Treasury until 5 years from 1934. The Treasury
would presumably, however, oppose any isolated
compromise on the lines of making provision for
renewals at 3.11 per cent but deducting half the
sinking fund charges on the ground that this would
have the effect of prejudicing the railway's
debt claim by weakening the general financial
position of the railway administration.

In any case it seems undesirable to
attempt to apply the Gibb report piecemeal.

The High Commissioner in paragraph 6
apparently envisages paying off the deficit by
reducing the depreciation rate below its proper
actuarial figure, but the present arrangement
contemplates that any short provision for renewals
should be made good later on.

In the circumstances, there seems no
particular reason for waiving the agreement for
more than a year, by which time it should have
been possible to reach a decision on the Gibb
recommendations.

Propose to Treasury, therefore, to maintain
the present arrangement in respect of 1934 pending
the result of the consideration of the Gibb report.

Depreciation at $2\frac{1}{2}\%$
as proposed in 1933
Railway 80 to page 77

304,335

Depreciation in store
basis at 3.11%

403,858

(a) Difference

89,523

Depreciation

1933

1934

(b)

and (c)

1934

20,000

28,591

H.S.V.

Handwritten signature or scribble at the bottom of the page.



115 2244

OFFICE OF THE HIGH COMMISSIONER FOR TRANSPORT,
GOVERNMENT HOUSE,

NAIROBI,
KENYA

TRANSPORT.

KENYA UGANDA.

CONFIDENTIAL

1722/51

Sir,

I have the honour to refer to Lord Cassfield's despatch, TRANSPORT, CONFIDENTIAL of the 27th. July, 1951, regarding the Provision to be made for renewals and reserves by the Transport Services of these territories, where it is laid down that, in the absence of any further arrangement, provision for renewals at the full "life" rate should be made after 1955 and the short provision in earlier years made good.

No 2

1722/51

*Copy to Kenya
Annual Report*

2: It appears to me that, when this decision was given, the possibility of the economic depression continuing for a number of years and increasing in magnitude was visualized, and that it was foreseen that circumstances might subsequently arise justifying a review of that decision. I consider that those circumstances now exist and that the Final Accounts of this Administration for the year 1952, and the Revenue and Expenditure Estimates for 1953 are the proof.

3. I shall have occasion, at a later date, to review in the detail necessary the Accounts for

1952/

THE RIGHT HONOURABLE

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

1932, and here desire only to say that, after meeting all Working Expenditure, providing for depreciation by contributions to the Renewals Fund at the rates laid down, and meeting all Loan Fund charges, these Accounts reveal a total deficit of £189,388 made up of:-

Railways	deficit	£114,581
Harbours	deficit	74,807
		<u>£189,388</u>

4. The Deficit account as at 31st. December, 1932, will, therefore, reflect a combined total of £550,788, while the 1932 Statement reveals a combined loss on the working for the year of £152,189.

5. I have urged upon the Board the necessity for taking every possible step to secure more favourable results reflected on the current year. I have also urged working expenditure had by the Board to be brought down commensurate with the amount which remains for other purposes. Any reduction in the Board's finances which can be effected this year will, therefore, be largely wrought about through an increase in earnings.

6. There is at the moment a definite improvement in Railway earnings with indications that this will continue and I am hopeful that the additional traffic can be handled without any increase

in working expenditure, and that the total loss for the year will not greatly exceed £100,000.

7. If this revised estimate is realized, the position at the end of 1933 will be that the Transport Services will have accumulated deficits totalling £650,762 and the estimated balance of the Renewals Fund will be £1,500,000.

8. In view of the large accumulated deficit that will have accrued by the end of 1933, and the necessity for liquidating that deficit at the earliest possible date, I strongly recommend for your consideration that the position of the Renewals Fund is such that the question of continuing the contribution to a "Road" fund for safety or other

purposes should be considered. It is suggested that the contribution to the "Road" fund should be reduced to a minimum, and that the amount of the contribution to the "Road" fund should be increased to a maximum of £100,000 per annum.

I have the honor to be, Sir, your obedient servant,

W. J. ...

I have the honor to be, Sir, your obedient servant,

31

Your most obedient, humble servant,

W. J. ...

HIGH COMMISSIONER.