

1951.

Kenya.

No. 17205.

SUBJECT

C0533/412

Branch Lines K. W. R.

Financing Loan Construction

Previous

16032/30.

Subsequent

15149/32.

1. Mr. J. J. ...  
submit ... on suggested method of assessment  
of revenue for branch line purposes; states as to  
calculation of expenditures and traffic on certain  
branch lines. Report has approved agreement with  
Tanzania re division of receipts.

See Standard in No. 15 7

File No 32 offered to see any further help  
he can & as the matter is peculiar his  
I think we might take advantage of his  
offer & ? refer to ...  
his comments.

W Allen

10/6/31

~~10/6/31~~

Officer in charge for carson

W Allen

10/6/31

W Allen

10.6.31

To Gen Hammond (inf. 1)

Cons.

4/3/31  
17 JUN 1931

1  
Mr. J. J. [unclear] 28 April  
submits comments on suggested method of assessment  
of revenue for branch line purposes; states as to  
calculation of expenditure and traffic on certain  
branch lines. Report has approved agreement with  
Tanganyika division of receipts.

See Standard in Nov 15 2

File No 32 offered to give any further help  
he cares + as the matter is peculiarly his  
I think he might take advantage of his  
offer + ? after this date to take for  
his convenience.

W. Allen  
10/6/31

District Controller for [unclear]

W. Allen  
10/6/31

W. Allen  
10/6/31

To Gen Harmon (cont)

10/6/31 1931

3 Gen Hammond \_\_\_\_\_ 14 June  
 submit comments on the 1 and state as  
 prepared to accept new formula proposed.  
 Consider Kenya should give guarantee for all  
 branch lines built subsequent to O. C. C.

4 Gen Hammond \_\_\_\_\_ 22 June  
 states has received copy of General Manager's  
 report which reinforces remarks re branch  
 lines

General Hammond is to be prepared to accept the General Manager's formula for assessing the expenditure on branch lines, and he considers that the results so far the railway are very satisfactory, and in the light of the formula proposed <sup>by the General Manager</sup> it is clear that the Government of Kenya ought to give a full guarantee for all branch lines built subsequent to the adoption of the formula. The question of applying the new formula to existing branch lines was a very important one, and it is reported that the General Manager has expressed his opinion that the new formula should be applied to all branch lines constructed subsequent to the adoption of the formula. It is clear that the existing arrangements for the financing of branch lines are not satisfactory, and the policy laid down in the <sup>Memorandum</sup> regarding branch lines only. This situation requires a measure of definiteness. It leaves no doubt that the arrangements hitherto accepted with regard to branch lines are not satisfactory, and in the circumstances both by the Government and the Railway Administration, it is preferable, when possible, to give a full retrospective application of the formula to all branch lines constructed subsequent

subsequent to the Order-in-Council, the Government of Kenya has already guaranteed the full extent of the losses in respect of the Manyuki extension, but as regards the Thomson's Falls, Yala and Butere extensions in respect of which the guarantee is only for the loan charges, the Secretary of State's despatch said that there will be no necessity to revise these guarantees if it is <sup>not</sup> proposed to give any retrospective effect to the policy which has recently been laid down.

The estimates for the Colony for 1961 provide only 10,630 for the guarantee in respect of the Thomson's Falls branch, whereas the total loss in 1960 amounted to nearly 127,000, the loan charges being only 27,000. The estimates contain no provision in respect of the Yala line (and this was noted in the reply) the loss in which in 1960 was 24,350, whereas the loan charges are only 41,800. The Butere extension is not yet complete and does not come immediately into the picture. It seems perfectly clear that to apply the new policy retrospectively to the lines in respect of which the loan charges are being guaranteed would involve an immediate and heavy expenditure on the Colonial Government at the time when they are very hard put to it even to make the budget balance. It is obvious therefore that any such arrangement would arouse great hostility in the Colony. The Transport Administration, while making these representations with regard to the method of computation, has not asked for a revision of the arrangement in respect to the guarantees on the existing part of branch lines and branches. Having regard to all the circumstances

P 12 General Manager's report  
 25/6/61

27/6/61



I very much doubt the advisability of attempting to revise this particular arrangement. It is clearly a matter on which the advice of Sir John Campbell is necessary; and in the meantime it would be rather futile for me to make any definite suggestion for action.

JN Allen

27/6/31

It is extremely difficult to see one's way clear in this matter; and that is perhaps due mainly to the fact that the railway rates are, as regards some of the chief export items, uneconomic and "unbalanced". The position is further complicated--to the disadvantage of the branch lines--by the fact that Nairobi is the effective distributing centre.

2. Taking these facts into consideration, I am not at all sure that the system we proposed is not really, on the whole, more equitable than the method of calculation which the H Cr: proposes, which is applied now, and which Gen: Hammond is prepared to accept. The tables on pages 11-14 of the 1930 report suggest strongly that there is something artificial about the method of working out the branch line results. The 1930 figures are wholly abnormal, clearly; they correspond to no trend. "The greater the traffic, the greater the loss". The conclusion--from these figures--is that the sound course would be to shut down the branches, or do everything to retard their development. That is absurd, of

course--and everyone knows it is absurd.

"There must be a catch somewhere"--and the catch apparently is that the branches are debited with the full loss (incurred chiefly on the main line) on unremunerative traffic, while not being credited with their full share of paying traffic. If the traffic which passes over the branches is reasonably representative of the traffic as a whole, then the system originally proposed seems fairer than that now suggested by the H Cr:. I feel somewhat reluctant to accept the system now in use, and acceptable to Gen: Hammond, for the reasons indicated above; but the matter is an extremely technical one, in which I have no particular competence. I think we must concur with the views which the H Cr: and Gen: Hammond have expressed.

3. I dislike raising the further question of ~~the~~ branch line guarantees. The decision, as it stands, seems logical and defensible. The H Cr: does not ask for any reconsideration. Uganda may--but we can perhaps wait for that! The Kenya budget is in no position to stand further heavy charges at the moment, as Mr: Allen points out. Behind all this there is the big question of policy--as things stand, is it better to leave the branch line losses on the railway, or to accept them as chargeable to the Colony budget? The first--and by far the strongest--line of defence against the constant pressure to accept uneconomic and unremunerative export rates ought to be the railway, which has at its disposal all the technical information, and the advantage of a quasi-independent position. It can always say--"There are my accounts. The thing can't

be done. I have gone to the limit as regards concessions. If the Govt. shoulders the burden, the railway a/cs. will be better to the precise extent to which the Govt. relieves them of that burden. The railway ~~infinitely~~ attitude will then be less firm as regards further uneconomic rate reductions--they ~~will~~ gain by them, in fact--and the Govt., which is peculiarly susceptible to political pressure, will be left unsupported (or not so strongly supported) by the technical dept: which is the repository of the facts, and in the best position to defend railway interests as a whole against undue encroachment on them. If we accept the suggestion made, and adopt the system of accounting proposed, ~~the~~ a large part of the burden as regards uneconomic rates will be transferred to the Govt.; while the railway will, to a considerable extent, escape the economic consequences of agreeing to such uneconomic rates. That seems to me a dangerous position, as things stand. I would therefore take no action in the direction of reviewing the decision recently arrived--<sup>or</sup> unless and until we are forced to embark on that course, possibly as a result of representations made by Uganda.

1. The issues are so complicated, so technical, and so important, that it may be considered advisable to discuss the matter further before ~~making~~ a decision.

June 1931.

17

*[Handwritten signature]*  
29/1/31

*Mr Parkinson*

We have discussed the matter with

*Mr J. Campbell*

As regards A in his minute, the method of calculation it was agreed that the Financial Comptroller was in a position to deal with this (eg. Sir J. O'Sullivan (of railways) proposed to take the railways, an expert railway expert) it was decided to proceed to take.

It is agreed that the decision not to <sup>any</sup> with retrospective effect to the ~~present~~ amendments recently laid down should not be reviewed at present.

The matter does not seem to have been dealt with the effect of a successful lawsuit which can lead to delays more than a few weeks.

? with recordings

*[Handwritten initials]*

8/8/31

*acknowledged*

On the first point, I think the explanation must be that branch line ~~is not~~ <sup>is not</sup>

\* There are several with no reference to the railway in the 12/3/31 with in the request add

representation of the general  
 traffic - for greater  
 proportion of outward freight  
 carried at lower rates  
 rates, & for lower proportion  
 of inward highly charged  
 freight  
 I agree with Sir Humphreys  
 but by all means let us  
 wait.  
 C.B. 20/11/31  
 still

Mr. Allen  
 I saw the minute of 17/11  
 I mentioned this to Mr. Moore 24/11/31  
 It appears that the idea of  
 a broad financial curtail  
 falls through to Moore suggested  
 that an audit on railway finance  
 particularly rates might be substantiated  
 generally as one of the whole evolution  
 of rate policy, not having come up  
 in its acute form  
 Wait a fortnight. noted 20/11/31  
 C.B. 26/11/31  
 still

5 Nov. 24/11/31  
 Requests for signature of Special Warrants  
 for £13546 - £1599 for Linyubi extension; £21644 for  
 Thompson's Falls Branch £9833 for L. Kavondo.  
 Inquire when may expect reply to last on 16/11/31.  
 to Chamberlain

Please put up a statement  
 showing expenses in these extensions  
 (so far as incurred) in 1930 - the Annual  
 Report of the East African and Kenyan  
 Administration, as far as it is limited to  
 these charges. Also the provision made  
 in the Kenya 1931 B.G. (Miscellaneous)  
 to be losses except the N. Kavondo  
 W. Colof Branch  
 J.M. Allen  
 29/11/31

Please see the statement attached.  
 The signature of the special warrants  
 must obviously be approved. It is not clear why  
 in the case of the lines in respect of which  
 only loan charges are guaranteed, there should  
 be any substantial divergence from the Estimates.

The point of the last sentence of the  
 telegram is that the High Commissioner reported  
 in No. 1 on this file that pending further  
 consideration of the question of the assessment  
 of revenue for branch line purposes he had not  
 communicated the Secretary of State's despatch  
 of

\* Check is from  
 the Governor.  
 J.M.A.

of the 5th of February 1930 (which was the reply to the High Commissioner's Confidential despatch of the 7th of January 1930) to the Governors of Kenya and Uganda or to the Railway Advisory Council. The matter has already been discussed when it was decided to defer any action for a short while until a decision was taken in regard to the appointment of a Financial Commissioner. What the High Commissioner asked was that the present system for assessing might be allowed to continue. One can appreciate that it may be inconvenient to the local authorities to be in a state of uncertainty on the matter. The view taken here (and General Hammond was prepared to agree) was that the present system of assessment should be continued. - the outstanding question was the further point raised by General Hammond but not by the High Commr. whether any alteration should be made as regards the question of the guarantee in regard to existing lines, it having been originally decided not to make any alteration. If the Financial Commissioner comes into this question of assessment of revenue and recommends an alteration it can hardly be effected until 1933. In that case it might be agreed now that the present system should if desirable to meet local convenience, be regarded as settled in respect of the present year and 1932.

The correct procedure would seem to be to deal with this particular matter in a separate telegram

telegram to the High Commissioner and reply to this in a telegram to the Governor approving the signature of the special warrants; and say as regards the last sentence that the S. of S. is communicating with him in his capacity as High Commissioner.

I submit draft telegrams for conson. accordingly.

J.W. Allen

8/9/31

8/9/31

*Drafts passed & agree that we can carry on as at present*  
W.S. 8/9/31

6. J.H.C. Transport tel No. 26 Conf ) 9 Sep 31

To Gen. Murray tel No 275 Conf )

DEFERRED UNDER STATUTE

*Question of decision on with the matter, v. the B. Attorney General note on 10/10/31*

This is the case of when a

Financial Commission is added.  
Noted  
on 17/10/31 J.W. Allen  
K. 3/10/31

*This is a matter for the Gen 26 Commission with the Govt - that I have brief explained the position to Major*

Noted ~~George Kotts~~. Bring up then  
the transfer from health develop

1978

2311

at all

~~kw~~

See now on 18149/32  
Kya.

asked ~~the~~ ~~to~~ ~~transfer~~ ~~the~~ ~~limit~~ ~~to~~ ~~develop~~ ~~the~~ ~~project~~  
to transfer limit matter develops  
justice

2314

attach

~~kw~~

See now on 18149/32  
Kya



C  
R-9SEP.  
C. 10

17205/1931

Room 297

68

~~Room 15~~  
*Samuelson*

Mr. Allen *8/29*  
Mr. *Wambell 8/21*

Downing Street,

September, 1931.

Mr. Tomkinson  
Sir C. Bottomley *8-9-31 for action*  
Sir J. Shuckburgh  
Sir G. Grindle  
Permt. U.S. of S.  
Parly. U.S. of S.  
Secretary of State.

*Colclough*  
*3/8*  
*W. J. G. [unclear]*

O.D.  
R-9SEP  
D

No. 26 Confidential.

**2 DRAFTS** conson  
v. minutes

Your Confidential

(11)

HIGHGOMA

NAIROBI.

2 dfts.

*12*  
*1603 2/80*

despatch 28th April. I have  
deferred further consideration  
of question of assessment of  
revenue for branch line purposes  
pending decision as to appointment  
of Financial Commissioner. I  
have no objection to communication  
of my Confidential despatch 6th  
February on understanding that  
assessment question is still  
under consideration and if  
desirable to meet local  
convenience I am prepared to  
agree that present system should  
in any case continue during  
present year and 1932.

Waller  
Notes  
1930

Branch 2100 (S.M.S report for 1930)

Loan charges £ 403  
working loss £ 261

£ 744

Page 25  
S.M.S report 1930

Thompson's Falls

Loan charges £ 5652  
working loss £ 17244

£ 22896

Kisumu - Jala

Loan charges £ 1368  
working loss £ 2982

£ 4350

Page 26  
S.M.S report 1930

The Kenya Govt. guarantees all losses in respect of the Nanyuki branch; but the loan charges only in respect of the other two.

In the 1931 estimates the following provisions were made for branch loss & liabilities -

Page 74 Est. 1931

Nanyuki  
Thompson's Falls  
Jala

£ 2160  
£ 6.30  
i.e.  
£ 1599  
2160  
9833

St. Katharine's



# DECODE

5/10

Telegram from the Governor Kenya to  
the Secretary of State for the Colonies.

Dated 4th September 1931. Received 2.20 P.M 4th September.

No. 277 Confidential. Sanction requested for signature of

Special Warrants for £13576 to cover increases of £1599

on provision for guarantee on ~~Nanyuki~~ Nanyuki extension

and £2144 on guarantee on Thompson's Fall Branch plus

£9833 for guarantee in respect of North Kavirondo Branch

Railway. No provision was made for guarantee on last named  
Branch Railway in 1931 estimates because Railway Administration

were not in a position at that date to furnish figures.

Glad to know when reply to High Commissioner's confidential  
despatch of the 7th January 1930 on Branch Lines policy

can be communicated.

\*  
ad 7  
1931/29  
1931/28  
1931/20

1/2  
1931/30  
1931/30  
1931/30

BRIG. GEN. F. D. HAMMOND.

TELEPHONE NO. VICTORIA 3884

K. H  
17205/31 4. DEAN'S YARD.  
WESTMINSTER.  
S.W.1

June 22nd. 1931.

REFERENCE NO.

Sir Cecil Bottomley,  
Colonial Office,  
Downing Street  
S.W.1.

RECEIVED  
23 JUN 1931  
COL. OFFICE

No. 3

Dear Bottomley,

Since writing my letter of June 17th., on the subject of Branch Line Terms I have received the Annual Report of the General Manager of the Kenya & Uganda Railways for 1930. The figures therein reinforce strongly my remarks on the subject that the increase of traffic on the branches usually results in an increased loss.

Thus on the Kitale Branch a revenue of £95,746 has resulted in a loss of £96,464, three times the loss that has been incurred in any previous year. On the Solai Branch a revenue of £26,283 has resulted in a loss of £45,894. On the other hand on the Thika-Naro Moru Branch there has been a reduction in revenue but an increased loss.

As regards the lines guaranteed to varying degrees by the Kenya Government, the Thomson's Falls Branch shows an increase in revenue as compared with 1929 of £8,136 compared with £2,546. The loss is £22,896

in 1930 as against £7,990 in 1929.

In the case of the Thomson's Falls Branch and the Kisumu Yala, both of which are only guaranteed by the Kenya Government to the extent of loan charges, the net loss to the Railways after taking into account loan charges paid by the Kenya Government is greater than the Loan Charges.

I think these facts constitute a very strong argument that the Kenya Government should guarantee all branches built since the Order in Council up to the full extent of loss incurred.

Yours sincerely,

*J. D. [Signature]*

BRIG. GEN. F. D. HANMOND.

RECEIVED BY VICTORIA 5884

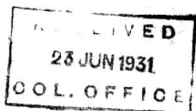
133  
4. DEAN'S YARD.

WESTMINSTER,  
S.W.1

REFERENCE NO.

June 17th. 1931.

Sir Cecil Bottomley, K.C.M.G.,  
Colonial Office,  
Downing Street,  
London S.W.1.



Dear Bottomley,

NO 2  
With reference to your letter 17205/31 of the 13th. June forwarding the despatch from the High Commissioner for Transport on the subject of branches. The terms, this despatch brings out clearly that the method I suggested for assessing the expenditure of the branch would bear very hardly on the Kenya Uganda Railways, and, in view of the particular circumstances of their case, I am quite prepared to accept the new formula he has proposed. Also, the method is already in force so that there would be no question of introducing new machinery in order to arrive at the result.

But the special reasons they have brought forward bring out in great prominence one point which I think should be re-considered, now that the question has been re-opened. That point is whether or not guarantees for ranches built in the past should be modified to conform to the new policy.

The despatch shows that many of these branches are being worked at a heavy loss to the Railways. When the Annual Reports of the General Manager are read in conjunction,

it is seen that these losses increase at a truly alarming rate with the increase in the traffic.

This is due partly, as the de. patch points out, to the fact that the principal traffic over these branches is carried at rates which, so far as the Railways are concerned, are quite unremunerative and economically unsound. It may also be due in part to the fact, pointed out in my letter of January 15th., that, owing to Nairobi being the distributing centre, the branch line does not get the advantage of the revenue earned over the 330 miles from Mombasa to Nairobi on imports destined ultimately for the branch. In the instance of Kitale, chosen by the High Commissioner, this last argument loses some of its force as the branch still gets the credit for the revenue for the carriage of imports from Nairobi to the junction, which is roughly 250 miles. Nor would it be easy to give any credit to branches for their share of imports which are consigned in bulk to Nairobi without any distinction as to the ultimate destination.

But, whatever may be the cause, the results to the Railways are most disturbing. On the Kitale branch a revenue of £58,600 in 1927 resulted in a loss of £20,617; in 1929 a revenue of £78,808 resulted in a loss of £31,468. On the Thika-Naro Moru branch a revenue of £32,370 in 1926

no 11 m. 16032/30

House of Commons  
1930  
for full year  
Ch

resulted in a loss of £26,755; in 1929 a revenue of £61,093 resulted in a loss of £31,747. On the Thomson's Falls line in the first year of working, 1929, a total revenue of £2,546 resulted in a loss of £7,990.

It will be seen that two of these branches were built before the Order in Council was passed, but I can get no comparative results for any of the more recent lines from the Annual Reports. There is good reason to suppose, however, that in general tendency these do not differ from the earlier-built branches.

If the new policy is not to have any retrospective effect, the Railways will be saddled with these branches for all time, and the larger the traffic they carry the greater will be the loss to the Railways. That seems to me not only unjust both to the Railways and to Uganda but also as being calculated to hamper the recovery of the Railways when the general economical situation improves.

As the High Commissioner for Transport has raised the question once again, I suggest that it would not be inappropriate to point out, when agreeing to his proposals for assessing branch line expenditure, that his despatch, when read in conjunction with the Railway Annual Reports, brings out in a manner which was not fully apparent before, the handicap under which the Railways suffer through these

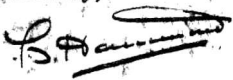
*Did not refer to the matter*  
*See p. 4*  
*Amount lost*

1

branch lines, and that, in the light of this new information, it is clear that the Government of Kenya ought to give a full guarantee for all branch lines built subsequent to the Order in Council. This will still leave Kenya with the advantage which it now gains and will gain in the future from the earlier branches.

I am glad, but not surprised, to hear that Rhodes and Maxwell have come to an agreement regarding the Kaka-Moshi section and the Moshi-Brusha line, and I hope the new Governor of Tanganyika will approve it.

Yours sincerely,



O. O.

C/17205721

Kenya.

O. O.	
R	11 JUN
D	1

- Mr. Miller 10/6
- Mr.
- Mr.
- Mr. Tomlinson.
- X Sir C. Dalloway 10-6
- Sir J. Shuckburgh.
- Sir G. Grindle.
- Permt. U.S. of S.
- Pathy. U.S. of S.
- Secretary of State.

with no 3  
 For info of  
 Dept  
Wickham

15<sup>th</sup> June '21

DRAFT. Cases:

1. merits  $\frac{15}{1602720}$

Brigadier General  
 F. D. Hamard  
 Col. 550. R.F.

In your letter to me  
 of the 12 Feb you were  
~~frustrated~~  
 kind enough (perhaps you  
 were but it unwise  
 enough!) to say that I  
 might, ~~if I~~ <sup>if occasion arose,</sup> refer to you again in the  
 matter of the guaranteeing  
 of branch lines in  
 Kenya + Uganda.

I do not have just  
 come in from the ITC  
 of Frankfurt in which  
 he raised a particular

ITC copy of label 17  
 (1)



point in regard to the  
assessment of revenue  
in hand here purposes  
& I am sending you a  
copy in the hope that  
it will increase our  
indebtedness to you  
by giving us the  
benefit of your  
comments on this  
upon it.  
~~rather to~~ ~~issue~~

Yrs sincerely

(Signed) W. O. BOTTOMLEY.

point in regard to the  
assessment of revenue  
for bond here purposes  
& I am sending you a  
copy in the hope that  
you will increase our  
indebtedness to you  
by giving us the  
benefit of your  
comments on this  
<sup>upon it.</sup>  
~~matter~~ issue

Yrs sincerely

(Signed) W. O. BOTTOMLEY.



18 /



HIGH COMMISSIONER  
FOR TRANSPORT.

OFFICE OF THE HIGH COMMISSIONER FOR TRANSPORT,

No. CONFIDENTIAL

RECEIVED  
10 MAY 1931  
CONFIDENTIAL

GOVERNMENT HOUSE,  
NAIROBI,  
KENYA.

28<sup>th</sup> April, 1931

My Dear Sir,

I have the pleasure to acknowledge the receipt of your letter of the 24th inst. in relation to the proposed extension of the Kenya-Mombasa Cable. I am sorry that I am unable to give you a more definite answer at this time, but the matter is being considered by the relevant authorities. I shall be glad to advise you again as soon as a final decision has been reached.

*copy to your department  
and tel No. 16 only*

THE RIGHT HONOURABLE

LORD BASSFIELD,

SECRETARY OF STATE FOR THE COLONIES,

10, WHITEHALL, S.W. 1.

3. General Hammond considers the alternative proposal for this calculation submitted by me on the advice of the Railway Council to be the more accurate but that the scheme he suggests would give approximately as correct results by a simpler method. It appears to me that in reaching this conclusion, General Hammond did not realise that owing to the peculiar rates policy in force in this country, his proposal would give results which would in fact be quite contrary to the results which would be obtained by the system already suggested by me, and which is now in regular use in calculating branch line results on this Administration.

4. General Hammond's suggestion would give reasonably accurate results only if the average rate for the branch line was the same as the average rate for the whole system, and if the traffic for the branch line was of a similar density to that on the main line. It would not be suitable for application on this Administration with its unbalanced tariff policy whereby many of the low-rated commodities are carried at a rate which is considerably below cost and over branch lines which, in fact, carry little else except such low-rated traffic. As an example, under General Hammond's proposal, in payment for the provision of locomotives and rolling stock, Branch Lines producing large tonnages of low-rated traffic would be debited with less expenditure on this account than branches producing small tonnages of high-rated traffic.

5. A further specific instance is the case of maize railed from Kitale to Kilindini; the revenue received per ton is Shgs. 14/-, the working cost on the basis suggested by General Hammond would be Shgs. 11/76, whereas the actual cost of carrying this maize to the Coast, as disclosed by ten mile statistics would be in the neighbourhood of Shgs. 13/-. It is clear, therefore, from these

examples...

examples, that a system of estimating costs, based on revenue received, is impracticable in the circumstances, and would give altogether erroneous and misleading results.

6. It appears necessary, therefore, to retain the system already in force on this Administration, a system which for branch lines was again generally endorsed by the Railway Council at their last meeting on the 8th of this month when they examined the prospects of the proposed extension from Kampala to Mubende; by this system expenditure is calculated as follows :-

#### BRANCH LINE COSTS.

##### Abstract A. - Engineering Expenses.

The Branch Line mileage is multiplied by the average cost per mile of open line as calculated over the whole system. It will be noted that the Branch Line thus gets the advantage of the cheaper cost of maintenance.

##### (Abstract B. - Transportation

##### Abstract C. - Mechanical Engineering.

##### Abstract D. - Management and Accounts.

##### Abstract E. - Miscellaneous.

Branch Line train miles are multiplied by cost per train mile over the whole system under each of the above four Abstracts. The Branch gets the benefit of the lower train mile cost and in view of the irregular traffic on Branch lines, necessitating a large amount of empty haulage, it is considered that train mile costs give a fairer representation of the cost of working the Branch than ton mile costs would do.

#### MAIN LINE COSTS.

To obtain the cost of carrying the traffic over the Main Line, freight ton miles, less freight ton miles on the Branch itself, are multiplied by the working cost, excluding Depreciation and Loan Charges per freight ton mile over the whole system.

7. To the above costs are added the following additional expenditure :-

- A. Depreciation of wasting assets of Branch.
- B. Loan Charges - Actual Charges on the Branch.
- 8. In the case of both Branch Line and Main Line expenditure, Depreciation and Loan Charges on all rolling stock are added to working expenditure under Abstract G, but no further Loan or Depreciation charges are included in respect of Main Line assets as it is considered that such charges should not be debited against the Branch.

There is therefore no undue complication in this method of calculating cost and the difficulties foreseen by General Hammond have been covered.

9. To illustrate the large difference in the results obtained by the two methods of calculation, the following figures for the Kitale Branch will be of interest :

	<u>Present Basis</u>	<u>Basis proposed in despatch dated 6.2.31.</u>
<u>Kitale Branch</u>	£	£
Earnings	35,746	35,746
Working expenses, including Depreciation	122,898	90,436
Loan Charges	9,312	9,312
Total Expenditure	£ 192,210	£ 99,748
Loss	296,464	Profit 25,998

and appear to make it clear that the system now in force here is more equitable than the proposed scheme for the reasons already given. I trust, therefore, that Your Lordship will be able to agree to this system being continued.

10. It is noted that Your Lordship considers that there will be no necessity to revise the guarantees or conditions.....

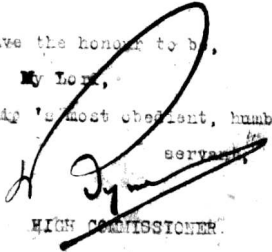
conditions in connection with the Branch Lines that have already been constructed.

11. With regard to the remarks contained in paragraph 5 of Your Lordship's despatch on the question of the traffic over the Kahe-Moshi section of the Tanga Line and the new section from Moshi to Arusha, I desire to inform Your Lordship that Colonel Maxwell, the General Manager of the Tanganyika Railways has recently been in Nairobi and has discussed at length these questions with the General Manager of this Administration. The two General Managers have come to an agreement with regard to the division of profits from freight and passengers arising on these sections of the Tanganyika Railways, and the General Manager of the Tanganyika Railways is putting forward the agreement to his Government for their approval. I, myself, have approved the agreement in so far as this Administration is concerned, subject to the approval of the Tanganyika Government, and subject to the question being reconsidered at a later date, if necessary, when practical experience has been obtained of the results of calculation of traffic receipts on the basis now proposed by the two General Managers.

I have the honour to be,

My Lord,

Your Lordship's most obedient, humble  
servant,



HIGH COMMISSIONER.



1931.

Kenya

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No. 17206.

SUBJECT

C0533/412

Whipping of an Indian Boy.

Previous

See 17269/31 (Prison  
Dept Report)

Subsequent

See 17358/31 (Banings Returns)  
18306/32 (General Offenders  
List)  
3142/33 (Annual Book)