

1936

Kenya

No. 38179/14

SUBJECT

C0533/472

Kenya and Uganda Railways and Harbours

Annual Reports

Previous

1935

Subsequent

1937

c.1, Railways.

1. H. Commr. transport No. 39.----- 14th. May, 1936.
 Transmits 12 copies of the General Manager's Report
 for 1935; comments will follow in due course.
 1 copy to Mr. Flood.
 " " Mr. Paskin.
 " " Sir J. Campbell.
 " " Room 309
 Spares to Liby.

DESTROYED BY STATUTE

Distribute copies as in
 previous years of
 No. 2-7 on 38179/14/35.

A. J. ...
 13/6/36

J. J. ...
 7/7

- 2 to 6 agents
- 3. H. of L
- 4. H. of L
- 5. Treasury
- 6. ~~...~~ ...
- 7. ...

(... incl ...)
 15 7. 36

8. Kenya Press Cutting W. 115 - 29.5.36
 (Registered in accordance with minute on 28051/36 Kenya)

Print the H. L. dispatch on
 the F. M.'s annual report.

A. J. ...
 29/5/36
 at ...

It is somewhat difficult to comment on the K. R. Reports without repeating oneself and without indulging in too many superlatives. It is to be noted, as the High Commissioner points out in the despatch, that the earnings have reached the highest total yet recorded, while the working expenditure is some £406,000 less than in the year when the previous record was reached (1929). The railway revenue, however, does not quite reach the peak of 1929, but the shortcoming is more than made up by a record revenue from the Harbours which for the first time in its life shows a surplus of Revenue over Expenditure. This is very gratifying and it goes to show that in the long run harbours, if properly managed, will actually pay, quite apart from their general effect on the trade of the place which they serve generally. There is, therefore, little advantage to be gained from criticizing the figures of Revenue received ^{by} ~~at~~ harbours in their early days before they had begun to develop. They are essentially plants of slow growth, especially from the financial point of view.

Taking the Railway alone, it will be seen that its earnings amounted to £2,794,000 and Expenditure to £1,244,000, thus giving a surplus of £1,550,000 and showing a percentage of Expenditure to earnings of 44.52.

In 1934, the ratio was as low as 44.00, but as ^{shown} ~~in the Report~~ elsewhere in the Report they were going slow on maintenance, especially on rolling stock, and some increase is therefore

necessary

necessary and inevitable. At the same time the percentage is extraordinarily low, and I doubt whether it can be paralleled in any other Railway.

Paragraph 16 on page 5 gives a convenient table showing the various figures, and the graphic statements on pages 6 and 7 are also of interest.

It will be noted that the number of ton miles shows a substantial increase and is in excess of the previous record figures by 34,000,000 (paragraph 22), while the receipts per ton mile show a slight diminution. This last is due to the fact that the increased traffic was mainly in the low priced classes. Kenya has gone in for special low rates on export produce and the result is necessarily reflected in the ton mile receipt figures.

It will be noted from paragraph 25 that full maintenance of engines and rolling stock is now being carried out. *(The track was always fully maintained)*

The remarks about branch lines on pages 10 and 11 are interesting. It appears that the branch lines are ~~not~~ so badly, two of them showing a profit. Even though it is calculated that they show a loss as a whole, yet it is admitted that they benefit the country at large. It is curious to see that the line from Butere to Kisumu is now called a branch, although it is part of the original main line of the Uganda Railway.

An interesting feature is seen from the diagram on page 13, that is that although ~~the ton mileage~~ ^{is} ton mileage reached ~~its~~ highest point, the engine mileage and train mileage was lower than in 1929.

It will be seen that passenger traffic continues to diminish which I fear can only be ascribed to the general low level of prosperity in Kenya. All classes show a slight falling off and

the number of third class passengers carried was only 77,534.

The figures in regard to traffic on page 19 are very interesting. It will be seen that the tonnage of coffee has gone up very considerably, while the amount of maize carried is over twice as much as in 1931.

The amount carried in 1935 was 63,665 tons.

Cotton seed showed a satisfactory increase over the 1934 figure, rising from 40,000 tons to 55,000. This is not as much as in previous years, but the price of cotton seed was low for part of the year and it hardly paid to raise it. Nearly 16,000 tons of sugar were carried, most of which is probably exported.

The rate reductions which were introduced at the end of the year are set out in detail on page 21. It will be seen that some trouble has been caused with the Tanganyika Railway owing to the introduction of these low rates. I think the trouble has been settled since, at least we have not heard any more about it.

I draw attention to the "efficiency figures" on page 25 where, starting with 1926 as the basis of comparison, they show the progress which has been made since. It will be seen that in loads, miles per engine hour, locomotives available, mileage per day, and in fact in everything relating to the use of the Railway, there are quite satisfactory increases, the decreases being in coal consumption per miles run.

On page 38 it is said that they are overtaking the arrears of maintenance which were allowed to accumulate during the past years, but it is especially said that the

maintenance

4
maintenance of the track was never allowed to get behindhand.

I would draw attention to paragraph 107 and 108 on pages 43 and 44, showing that they have had a big drive to repair the vehicles.

As stated above, the Harbour shows a profit for the first time, and the detailed amounts are shown on page 53. The surplus of £15,611 is small, but it is at any rate better than the losses which have been incurred in recent years. The profit shown is after meeting contributions to the Renewals Fund, Interest and Sinking Fund charges, and, as the Governor says, reflects great credit on the Port Manager and his staff.

I would call special attention to the general remarks made by Sir Rodney Rhodes also in respect of rates as set out on pages 68 and 69. He points out that the changes in force on the K.U.R. compare favourably with those on other Colonial Railways, while the special rate accorded to maize and cotton is much better than anything that is to be found elsewhere. He admits that the tariff is unbalanced, and indeed he has been trying for a long time to get a more satisfactory rating policy. In paragraph 175 he points out that, while the nature of the railway tariff helps agriculture and other development, it prevents the Railway from helping itself in many directions. It will be seen that he is an advocate of planned coordination in regard to road and rail traffic.

The everlasting 2% or 2½% Renewals contribution comes into the Report on page 73 as is inevitable. There is a separate despatch and an enlarged memorandum about it and it will be seen that the contention now is that with the Reserve already

established

established and the amount which is in the Renewals Fund which can never be used, a sum of £1,000,000 is available which should enable the Railway to revise its charges without any undue risk. It will be seen from paragraph 182 on page 74 that Sir Godfrey is not prepared to go in for reckless rate reductions in directions which are not in the general public interest. His policy is to grant rate reductions when it is clear that a permanent improvement in traffic has taken place and he points out that provision will have to be made for Betterment.

I don't think that I need comment upon the Renewals question here since the other despatch will afford ample scope for it, but it is of interest to look at the figures given by the Railway Research Service (see No.10 on 38179/1936): It will be seen here that out of ten railways in the United States of America all except one make provision at over 3% for Renewals, two of them paying over 3.9%, and the remaining one contributes 2.70%. These figures are thus all higher than Kenya's present 2.5% and of course much higher than they hoped for ^{2.0} ~~1.5~~. All the same it is a bit hard to have the Office and the Secretary of State blamed for not agreeing to further reductions in the Renewals Contribution which I think we ^{might} ~~would~~ be prepared to do, at any rate till 1946, if it were not for the veto of the Treasury. Anyhow, the whole thing is to be examined once more in 1938, but I am afraid that ~~unless~~ ^{then} there is no chance of the Treasury doing more than agree to 2% as they have already done.

As to action there seems nothing for it

but

but to congratulate everybody as per draft herewith.

J.L.W. 29/9/36

Very cheering.

J. Cairne
89

A most cheering report. I have the very highest opinion of the efficiency of the new manager; and he must have infused his staff generally with his own ideas and ideals in order to have attained such eminently satisfactory results.

The report is a model production, I think; and almost every index points to improvement and efficiency. I know of no railway--anywhere--which can show comparable results.

But the G.M. must have had rather a shock on reading the comment of the R.S. Research Service as regards the renewal rate. That comment is of course superficial, in a way; I am with the G.M. in this matter, owing to the local position and circumstances; and I feel more and more that we must do all we can to get down railway rates, and introduce a more balanced and scientific tariff for railway services. The method the G.M. suggests seems to me sound and justifiable; and I very much hope that the Treasury will eventually agree. It is the $\frac{1}{2}$ millions of Exchequer debt which is the stumbling block.

The 4th: September, 1936.

J.L.W.
4/9/36

Then the draft can go. S.L.W. bottom by G
on his return.

By air mail
7/9/36

To H. C. Tappin, 84 (General)

7 SEP 1936

11. Memo. on Financial Results of the Working of the Railway, January-May, 1936; (received as enclosure to despatch Conf. of 28.7.36).

Registered for record in accordance with minutes on 38179/19/36 Kenya.

Put by.

W. H. Tappin 14/9

Sir C. Bottomley.

To see, in accordance with Mr. Flood's minutes of the 7th. Sept. overleaf.

Room 297.
1.10.36.

Good.

W.H.T. 2.10.36
atcc

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL

SUBJECT:

FINANCIAL RESULTS OF WORKING, JANUARY-MAY, 1936.

PARTICULARS
AND
REMARKS:

The financial results of working the Services for the first five months of 1936, based on the audited figures for January to April and the approximate figures for May, were:-

	£	
Railway Revenue	1,250,036	
Railway Ordinary Working Expenditure	474,128	
	Balance	755,908
Contributions to Renewals Fund		139,546
	Balance	616,362
Loan Fund Charges	261,786	
Write-off of Dead Assets	15,015	
Rebate on Maize	18,207	
	295,008	
<u>LESS:</u>		
Miscellaneous Receipts (Not Revenue Account)	15,475	577,533
Balance (Surplus)		338,529
Harbours (Surplus)		37,125
<u>Total Surplus, January - May, 1936</u>		<u>2375,014</u>

as compared with a surplus of £311,845 for the corresponding period of 1935. (Railway surplus £291,930 and Harbours surplus £20,915).

2. The Railway Revenue was £348,371 in excess of five months' proportion of the annual estimate and £100,257 in excess of the corresponding earnings for 1935. Based on an average of the last five years, the actual Railway Earnings were £213,346 in excess of the expected earnings for the first five months of this year.

3. Ordinary Working Expenditure was £19,638 in excess of the estimate for five months and £15,783 in excess of the expenditure for the corresponding period of 1935.

4. The tonnage of Imports moved from the Coast at 127,095 tons shows an increase of 25,259 tons as compared with the first five months of 1935, while Exports during January - May, 1936, were 546,933 tons or 58,630 greater than in the 1935 period.

5. The ratio of Ordinary Working Expenditure to earnings was 33.56% as compared with the ratio of 31.55% represented by the approved Estimates for 1936 and 40.59 for the corresponding period of 1935.

Ref. No. E.F. 120/36.

GENERAL MANAGER'S OFFICE, NAIROBI.

24th June, 1936.

C. O.

AIR MAIL

9/11

Mr. Flood. 2.9

Mr. Clausen *ES*

Mr. J. Campbell

Sir C. Parkinson.

Sir G. Tomlinson

Sir C. Bottomley.

Sir J. Spackburgh.

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

4/9/26

7.9

54

DOWNING STREET.

September, 1936.

C.D.
7-51
7

Sir,

I have etc. to acknowledge

the receipt of your despatch No. 64 of the 4th of August, in which you commented upon the Report for 1935 on the Kenya and Uganda Railways and Harbours.

2. I fully agree with you that ^{those in previous years} the report like ~~its predecessors~~, shows a high degree of efficiency in the operation of the Railway, combined with carefulness and ^{prudent foresight} prudent foresight.

My predecessors have ^(on many occasions) congratulated Sir Godfrey Rhodes and his staff on the work which they have performed, and it is with the greatest pleasure that I add my own tribute to the

excellent

DRAFT.

TRANSPORT.

KENYA-UGANDA.

NO. 84

High Commissioner.

FURTHER ACTION.

excellent work which has been performed
and to the efficiency of the management
of the Railway and Harbours.

3. It is very satisfactory to
note that the gross earnings of the
Department have reached the highest total
yet recorded, while the proportion of
Expenditure remains at a low figure,
I think one of the lowest that can be
shown anywhere in the World.

4. I am especially pleased to ~~note~~ *observe*
that the Harbour ~~for the year~~ shows, for the
first time, a surplus of Income over
Expenditure, and I ~~agree~~ *am glad* with you that
great credit is due to the Port Manager and
his staff. I am glad to think that the
figures so clearly presented in the Report
are an evidence of returning prosperity to
Kenya and Uganda. I note that the tonnage
of commodities carried shows gratifying
increases as compared with 1934, and I hope
that this improvement will be steadily maintained.

5. As you are aware *separate comm^s is proceeding*
I have, etc.

in regard to the rate of the contribution to Renewals
so / do not discuss that question in this despatch



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TRANSPORT

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

KENYA - UGANDA.

No. 614

14th August, 1936.

Sir,

In my despatch Transport No.39 of the 20th May I enclosed for your information copies of the Annual Report for 1935 on the Administration of the Kenya and Uganda Railways and Harbours. You will no doubt have observed from a perusal of that Report that, like its predecessors in 1934 and 1933, it gives evidence of a noteworthy standard of efficiency and progress.

2. The figures adduced by the General Manager, and the graphs with which the Report is illustrated, speak for themselves; and I shall confine myself to inviting your particular attention to the following points of interest.

3. The gross earnings for the year at £2,893,828 represent the highest total yet reached in the history of the Administration, exceeding by £68,518 the previous high-water mark attained in 1929. But whereas ordinary working expenditure in that year amounted to £1,669,563, the corresponding total in 1935 was £1,243,831 only.

4. The operating efficiency of the Railway is concisely presented in the Efficiency Indexes tabulated on Page 25 of the Report certain units of which are shewn graphically on Pages 28 and 29. You will observe that the steady rise in the Final Index Figure, observable annually since

THE RIGHT HONOURABLE,

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

SECRETARY OF STATE FOR THE COLONIES.

Answered (10)

since its inauguration, was well maintained in the year under review.

5. It is with special satisfaction that I draw your attention to that section of the Report which deals with the progress made in connection with the Harbour Services. Earnings and the ratio of Ordinary working expenditure to Revenue attained a level never previously reached, and the net financial result shows that, for the first time since its inception, a surplus was earned. You will, I feel sure, agree that great credit is due to the Port Manager and his staff for this gratifying achievement.

6. As is described in paragraph 44 of the Report, a substantial proportion of the earnings of the Administration was returned to the user by important reductions in rates as from the 1st December, 1935, and by the abolition of the Port surcharge. These concessions together are estimated to amount to \$150,000 in a full year. I note with satisfaction from Mr. Thomas's despatch Transport No.30 of the 27th April, that the Discretion exercised by this Administration in the matter of rate reduction met with his approval.

7. A table is appended of comparative data for 1935 and 1932, the year in which the Railways and Harbours of these territories may be considered to have reached the trough of economic depression. You will, I feel sure, agree that the figures so presented afford evidence, not only of the beginnings of economic revival in the Territories as a whole, but also of superlatively skilful management, for which the credit is attributable to the General Manager and his staff, assisted by the ready co-operation of the Railway Advisory Council and the Harbour Advisory Board.

I have the honour to be,

Sir,

Your most obedient humble servant.

3879/16/35

on inc. with
Renewals file

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I have the honour to be,

Sir,

Your most obedient humble servant.

3879/16/35

in use with
Remunals file

1932.

1936.

Gross Earnings.	£2,172,946	£2,893,828
Ordinary Working Expenditure.	£1,169,385	£1,243,831
Percentage of Ordinary Working Expenditure to Earnings.	53.83%	42.96%
Return on Total Capital Expenditure.	2.91%	5.48%
Surplus or Deficit on year.	- £189,368	+ £362,772
Balance	- £550,782 (Deficit Account)	+ £345,870 (Reserve Fund)
Freight ton-miles moved	290,765,523	384,329,307
Cost per freight ton-mile (Public Traffic)	Cents 13.479	Cents 13.717
Receipts per freight ton-mile (Public Traffic).	Cents 12.212	Cents 12.680
Efficiency Index - Railway.	136.35	148.94



THE RAILWAY.

A REPLY TO CRITICISMS.

It will be remembered that last week "Naughticus" in his notes criticised the report of the administration on the grounds that monies which in his opinion should be shown as reserves were placed to the credit of what he described as "hidden reserves". It is with pleasure that we give publicity to the General Managers reply

Editor,

"Kenya Weekly News" Nakuru

Dear Sir,

I have read with much interest your comments on my last Annual Report. I thoroughly agree with you that "bonquets" are unsatisfactory and unnecessary and I am very glad, therefore, that you have not spent too much time with regard to them. I am, however, interested in your criticisms and feel that they call for a reply, from me, in order that you may appreciate my side of the question. I will, therefore, endeavour to answer them in some detail, so that you can make use of the information in any way you think fit. I will deal with them under headings, in the order in which you have referred to them.

Reserves for Posterity.

I note that you consider that we are piling far too much for posterity. This is a common criticism and one that should be answered. It is, however, somewhat surprising to find this criticism persisting when it is a matter of recent history that, owing to the lack of suitable reserves, we were forced to impose considerable hardship on the users of the Railway in order to maintain our financial position. Had we had a reserve in 1932, it would have been unnecessary to make any rates alterations in an upward direction at that particular time. Ever since that occurred, it has, therefore, been my policy to build up our reserves whenever unforeseen or unexpected revenue became available. In this connection, we have been far more lucky than we anticipated, as, in addition to greater economies than we ourselves thought we could make, revenue, particularly from Uganda, has exceeded our expectations. In consequence, as we have said in the Report, we are now within sight of the £1,000,000 (i.e. £319,161 plus the amount which we consider to be available in the Renewals Fund balance) and we are, therefore, in a position to take full advantage of this fact and to give back to the country in rates reductions all permanent increases in revenue. The money that we have put to the Reserve, as I have explained, has been unexpected and was not, therefore, available for rates reductions. In the absence of a Reserve, one has to budget far more cautiously than we need do in future.

It is not quite correct to say that I have been "balked of my policy", because the reductions that we introduced on the 1st December last were recommended and suggested by the Administration and resulted directly from the fact that my policy of building up a reserve has been carried into effect, and, as I have explained, we are now within sight of the £1,000,000 considered by all authorities to be our minimum balance.

Hidden Reserves:

You refer to "hidden reserves"; this is my personal view on your criticisms. As you

know, no one has done more to explain the full position of the Railway finances and believe than I have done in past years. I think I am correct in saying that no other Annual Report of any Railway anywhere in the world gives as much detailed information as we now give in the Annual Reports. Private Companies, as you are aware, deal with such matters in a few pages. Nothing whatever is "hidden", and, as far as I am able to do so, every transaction is fully explained. I contend, therefore, that "hidden reserves" do not exist on this Railway. Such reserves as do exist are shown clearly somewhere or other and frequently in more than one place in the Report.

Depreciation and Loan Charges:

I note that you state that we are "forced to allow far too much for depreciation and loan repayment". As regards depreciation, this is a technical matter and one not so easily disposed of as you appear to think. Many other Railways, particularly in America, contribute far more to a depreciation account than do we. I have for years now been pressing for a temporary reduction in the contribution to the Renewal Fund, on the grounds that we shall not require the money until 1946, when our Loan charges decrease. So far, I have not succeeded in obtaining this relief, but I hope shortly to return again to the attack. It should, however, be quite clearly realised that such reduction as we can bring about at the present moment is of a temporary nature and must be returned to the Fund at a later date if the Fund is to remain solvent in future when heavy renewal expenditure falls due.

Sinking Fund charges for Loan repayment are already as low as 1% and cannot be decreased any further.

Contribution from Revenue for Capital Purposes:

I note that you state that over £2,400,000 has been taken out of revenue for capital purposes. This, if you will remember, was done during the boom period, when fortuitous and non-recurrent revenue became available. It is agreed on all sides that such a policy was an extremely sound one. The alternative, of course, was to borrow further money for our development requirements, paying, as you know, high rates of interest at that time. In the circumstances, it is agreed in most quarters that it was wise and sound finance and in the interests of the present users of the Railway to use our surplus revenue in this way. As such revenues were not permanent (vide the slump which occurred shortly afterwards), it would have been quite wrong and improper to have given that money away in further rates reductions. As it was, rates reductions were granted during that period, when they were not required by the community and any further development of that policy would inevitably have led to greater repercussions in the way of increased rates when the depression hit us. The only other alternative that might have been considered would have been the avoidance of expenditure of this nature, with a resulting reduction in efficiency and capacity.

You will, of course, have noticed that during the depression practically no money of any kind has been contributed to the Betterment

Fund. As a result, as you will see from the table shown in the Report, the balance in that Fund is now very low indeed.

Dead Assets

You draw attention to the expenditure of £50,322 in writing off dead assets and you suggest that this should have been found out of the Renewals Fund. In actual fact, by far the greater part of the expenditure required in writing off dead assets is found from the Renewals Fund, i.e. to the extent that the asset in question has contributed to that Fund. If, however, an asset, for one reason or another, is written out before its life expires, then the balance has to be found from revenue. During the depression, it has been possible for us to make a complete inventory of our assets and it has been found that many have disappeared from time to time since the old construction days. In some cases too, assets were shown in the Capital Account which really belonged to the cost of construction. While it is expected that further assets will have to be written off, it is a great advantage to know that our capital expenditure is now represented by live assets. Such a policy could not be carried out in times of depression when funds are not available, but you will agree that money is not available for transfer to a reserve until all dead assets have been written off. It should, however, also be explained that where such assets are not replaced by new assets, the amount in question is transferred to what we have called "Miscellaneous Capital Credits" and is then available for further capital expenditure as and when required.

That we have been able to write off many of our dead assets is a matter of great satisfaction to the Administration and to all those who study the financial position of the Railway. Again, I deny that it is an attempt to build up a "hidden reserve", but ordinary sound accounting practice. Such a policy cannot, of course, be carried out when funds are short, but when unexpected revenue is available then all dead assets that can be found should be cleared out of the way. I must again explain that the alternative is not to carry out further rates reductions, as fortuitous revenue of this nature is not available for such purposes.

Railway Reserve:

You state that it has not been the custom for a reserve account, as such, to be created in the Railway accounts. This is correct to some extent. The late General Manager was always anxious to commence a reserve at the first opportunity. In fact, owing to the urgent need for Betterment expenditure to which I have referred above, it was not possible to place any of the unexpected revenue to such a purpose until 1929, when £100,000 was placed in the reserve account. This, however, did not last long when the depression reached us; as I have already explained, with the amount directly contributed to the reserve and the amount which I consider is available in the Renewal Fund, we are now within sight of the £1,000,000 which has been laid down as the minimum we should aim at. You will, I hope, appreciate that there is a big difference between a contribution to a reserve and a con-

Cunard White Star Limited.

(Continued from page 24)

the size of a tennis court, and is capable of holding 815 people at a sitting. It is the largest room ever built into a vessel. Apart from the usual halls or rooms to be found in large liners, the "Queen Mary" has most of these rooms duplicated and triplicated in lesser degrees of grandeur in the Tourist and Third Classes.

Mention might be made of the following—

The First Class Verandah Grill—79 ft. by 39 ft. with a large circular bay facing aft and with a wonderful view. Used for à la carte meals. A small dancing floor is also to be found there.

The First Class Gymnasium in charge of a young instructor.

Full sized squash & tennis court

Observation Lounge and cocktail bar on the Promenade Deck, which is perhaps the most important deck on the boat. This hall is 44 feet in length and 70 feet wide.

First Class children's playroom

Library

The Main Hall on the Promenade Deck. This hall is 110 ft. long and about 70 ft. wide and in it are to be found the majority of the numerous lifts and the shopping centre—any thing can be purchased from these shops.

Drawing Room, Writing Room, Ball Room, Smoking Room etc.

Two swimming baths:— First Class & Tourist.

Pets Home for dogs, cats, canaries etc., with its own attendant.

A safe deposit with its 350 private safes which can be hired.

Telephone Exchange, by means of which it is possible to communicate from one's cabin to any other port of the vessel and to anywhere else in the world.

The Tourist Class public rooms, accommodation and swimming pool are situated aft and the Third Class on the lower deck levels forward.

The "Normandie" is 79,000 tons against the "Queen Mary's" 80,770 approximately, but the "Normandie's" complement of crew and passengers is only 3,300 against the "Queen Mary's" 5,200.

Each funnel of the "Queen Mary", if set on its side, is large enough to allow three full-sized British locomotives to travel through it abreast. The funnels from top to the boiler rooms are just about the same height as the centre of Big Ben's clockface—viz., 480 feet.

If the Queen Mary were to be placed in Sixth Avenue, Nairobi, with its bow level with the Post Office, it would stretch past the Vacuum Oil Company's office and end up about level with the Standard Bank.

During the 96 years in which Cunard Liners have been afloat the following developments in their vessels have taken place:

	Length	Gross Tonnage
1840 "Brittania"	207 ft.	1154
1867 "Russia"	346 ..	2960
1884 "Etruria"	519 ..	8180
1893 "Campania"	622 ..	12950
1905 "Carmania"	675 ..	20000
1907 "Mauretania"	790 ..	30695
1914 "Aquitania"	865 ..	45647
1919 "Bersaglieria"	883 ..	52706

Sole Nyanza Stockists	<h2>J.S. Needler</h2> <p>and COMPANY.</p>	Stockists of
Underwood Typewriters Sunstrand Adders Marchant Calculators Parker Pens National Loose Leaf Thong Binders and Accessories etc.	<p>P.O. Box 87, KISUMU</p> <p>— for —</p> <p>Social & Commercial Stationery School Requisites and</p> <p>COMMERCIAL & TECHNICAL OFFICE EQUIPMENT OF EVERY DESCRIPTION.</p>	<p>Govt. Mining Publications Survey & Technical Instruments Drawing & Printing Papers & Linens, etc. Technical Publications Overseas S. African & Rhodesian Periodicals etc.</p>

UNCONQUERABLE

The man who smokes

Player's

gets Quality

Now available in this packing

John Player & Sons

10 CIGARETTES MEDIUM

THE RAILWAY.

(Continued from page 28)

Childrens Seaside Fund.

£ 111.

tribution to a Renewal Fund; the latter is a working account and must be met before any contribution can be made to reserve of betterment.

Betterment Fund:

This fund is built up out of unforeseen or fortuitous revenue, not available for rates reductions. It is intended to meet all the small requirements of a growing railway and to avoid the need for borrowing on the public market, with its consequential heavy interest and sinking fund charges. During the depression, contributions to this head had to be discontinued, with unfortunate results, as much of our renewal programme had also to be postponed owing to absence of funds in the Betterment Account. It will be clear to you that in most cases of renewal some betterment must take place if modern machinery and modern improvements are to be taken advantage of. It has been found possible to make a small contribution to the Betterment Fund in 1935 instead of contributing the whole amount to the reserve.

Again, I suggest to you that this is not in any way "hidden," as it is shown clearly in Statement 9 on page 86 of the Report and is also referred to in para. 183 on page 74. The policy of contributing as and when possible to a Betterment Account is one that will be continued as it is eminently sound.

Appreciation and Depreciation of Securities.

It is incorrect to state that in the past it has been the custom to add to the net revenue account each year any appreciation or depreciation of investments. This policy was first introduced in 1933 on instructions from the Auditor and the Secretary of State. At that time, the result was an appreciable credit to revenue account, and a further smaller credit was available in 1934. In 1935, the turn of the tide on the Stock Markets had set in and there was in fact a debit to the account. You will agree that extreme fluctuations of this nature are a disturbing factor in a Railway's accounts. It has, therefore, been decided that a small reserve should be built up to deal with such items and to avoid the necessity for showing them in the revenue account. In 1935, therefore, a small sum of £5,000 was included to initiate this fund. At the same time, the actual debit of £9,000 was made. In future years, such contributions to this reserve fund as may be necessary will be made and all debits and credits will be dealt with through it. This, again, is sound accounting procedure and not in any way connected with your suggestion that it is another way of concealing reserves. The position is quite clearly shown in the accounts.

Ton Mile Costs:

It is probable that both tables will continue to be shown in future Reports, though the table showing the average cost per total freight ton mile is defective and misleading for the reasons given for the introduction of the second table. The second table is, therefore, a more correct picture of the actual position and more useful to ourselves and to the public.

Engineering Costs:

I think you will agree, on reflection that the danger of making general statements of this sort is emphasised in this case. You state that the engineering costs are the highest since 1931. This is a correct statement, but, if you will look

In response to the appeal we acknowledge with grateful thanks the following donations.

Amount previously acknowledged 1050/00

Anon	10/-	European Stores Kisumu	10/-
C. Corlett	26/-	J.S. Needler & Co.	10/-
Uncle	20/-	J.L.R.	30/-
P.R. Warner	10/-		
Lord and Lady Francis Scott	40/-	Total	105/00
J.F.R. Nottidge	50/-	Per Mrs Hughes, D.V.P., E.A.W.L.	
R.S. Ball	20/-	Nakuru. The result of an entertainment at the Stags Head Hotel, Nakuru by the kind assistance of the proprietors.	377/00
Mr & Mrs Pratt	20/-	L.H. Barradell	20/-
Mrs W.H. Smart	10/-	E.C.P.	5/-
H. Featherstonehaugh	10/-	A. Legat	20/-
J.H.B. Murphy	20/-	B. Thomas	10/-
Per Mrs Needler Kisumu:		Sir E. and Lady Upton	100/-
G.E.L.	10/-	C.N.D.	23/-
D.H.W.	5/-	Major Lawry	20/-
A.D.A.	5/-	A.E.S.	20/-
L.H.B.	5/-	C.J.E. David	10/-
J.F.	5/-	Capt. & Mrs S. Cowling	20/-
H.B.	5/-	E.A. Breweries Ltd.	200/-
R.E. Ward	5/-	D. Ruben	10/-
C.T. Davenport	10/-		
T.E.C.	5/-		

2223/02

With regard to the dance held at the Stags Head Hotel the management request us to acknowledge the generous assistance of: The Premier Butchery, The Lake Butchery, The Nakuru Bakery, S. Greensted Esq. and The E.A. Power and Light Coy.

Parents are reminded that all applications for their children to go to the Seaside Holiday Camp should reach the Director of Education by June 3rd.

at the graph on page 38 and the table at the bottom of that page, you will see the reason. The reason is, of course that with the restoration of our finances, we can again carry out such new minor works (i.e. below £250 in value and not therefore chargeable to the Betterment Fund) which are essential if a service of the nature of a railway is to be kept up to date and able to meet all requirements. In times of depression items of this nature are cut completely, but must be restored as soon as possible. You will note that all other engineering expenditure has either remained stationary, or shown satisfactory reductions. For your information, I must state that the cost of maintenance of permanent way shown on page 39 is remarkably low. In fact, the whole engineering expenditure is the envy of other railways.

Another item that must go up with the addition of new assets is the maintenance of buildings, etc., referred to at the bottom of page 39. The whole engineering expenditure is extremely low and, therefore, very satisfactory.

Repairs to Coaching Stock:

Again, you are correct in stating that the repairs to coaching stock are the highest since 1928, but the inferences to be deduced from such a statement are quite incorrect. You have ignored the explanation given below the table on page 43. Expenditure on coaching stock is in arrears and will remain high for the next two years. No one can suggest that our standard maintenance of coaching stock has been too high during the depression. I

am very anxious indeed that coaching stock upon which much of our publicity depends should be restored as soon as possible to its proper condition.

Rates Reductions:

When money is available for rates reductions, and, as I have stated in my Report, I hope this will now be more common than it has been in the past owing to the satisfactory financial position and the building up of our reserves, the position of all commodities is taken into account. The increases in Classes 9 and 10 were introduced, not for revenue reasons, but because these two classes were not in their proper place in relation to the rest of the tariff structure. It is considered that many other reductions must be made before this increase can be given back. The question of rates reductions, however, is one that receives full and detailed consideration by the Railway Advisory Council periodically and I believe the reductions actually granted in December last have proved sound in every way.

I am sorry to have written at such length, but I am anxious that honest and fair criticism should be fairly answered. I hope I have been able to convince you at least to some extent that our methods are above board and that the expenditures of the past few years has shown that they are sound.

Yours etc.,

G.D. RHODES,
General Manager,
K.U.R. & H.

ECHOES OF THE COAST.

(Continued from page A)

lies with the Port People who, doubtless, will refrain from trying experiments in coffee crossing which are not appreciated by the local commercial community.

Mombasa Nursing Home.

Compared with Nairobi, Mombasa is in bad case as regards accommodation of any kind for sick people. Quite apart from the disgraceful apology for a hospital which has been criticised for over two decades there is only one Nursing Home on the island for Europeans. The Lady Grigg Home caters amply for Indian and African children. Some years ago, the Mombasa Nursing Home was given a grant-in-aid of about £300 but this was withdrawn for various reasons. To-day, the Home is struggling along to keep going, aided by public subscriptions on an annual basis. The Home is not a charity concern, as the patients are charged for services rendered, but the income from this source is so precarious in this small community that it is difficult for the Home to carry on. So the annual Report of the President revealed lately and an appeal is now being issued for fresh subscriptions of 20/- per annum. Incidentally, the Home serves not only local people but sick persons off ship and from Up-country. It is a really deserving institution well run with the minimum of expenditure.

Indian Politics.

After a lengthy period of comparative quiescence, the Indians of Mombasa are again showing their political teeth. On Monday, Empire Day incidentally, probably on the basis of the dictum "the better the day the better the deed," a mass meeting of local Indians, got a hearty bite out of the policy of Lord Francis Scott when they passed a series of resolutions condemning "the activities of Lord Francis Scott and his European colleagues in as much as his visit to England is directly opposed to Indian interests which he does not represent." There are, of course, etceteras. No blood was shed and everybody seemed satisfied with the resolutions which follow traditional lines of Indian protests against everything to be thought of at the moment, including the Defence Force and the White Highlands.

Football Association.

Matters in this respect, referred to in the last letter of this series, have quietened down. The threatened general break up has been avoided and the Association is getting down to the drawing up of a list of fixtures for the season which, actually, should have begun at the beginning of the current month. It is hoped that football, as a result of the new outlook, will improve and that there will be less bickering and more discipline in the days to come. Good football is played at Mombasa, and better football can be played but the teams need a lot of disciplining. One refers, of course, to the Africans and Arabs.

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For further particulars apply to:

The Secretary, Box 671, Nairobi, or to the Auctioneer, Mr. T. H. Chettle, Nakuru.