

1936

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KENYA

C0533/472

Kenya Uganda Railways & Harbours

Quota System and Capacity of the Railway.

Previous

Subsequent

c.i.K.U.R.

1. H.Commr. Tpt.No.38--p -----enclosures-----14.5.36
 Memoranda circulated to the Railway Advisory Council
 regarding the Quota System, and the Capacity of the Rail-
 way.

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

Put by.

J. J. [Signature]
 129 *atone*

2. H.Commr.Tpt.Conf.-----enclosure----- 28.7.36.
 Memo. circulated to the railway Advisory Council regard-
 ing railway rates policy in its relation with the Quota
 System.

Registered in accordance with the minutes on

38179/19/36 Kenya.

Put by.

9/10 [Signature] 14
297 9 atone

3. HIGH COMM. FOR TRANSPORT.....CONF..... 14.11.36
 Trs.memo. circulated to Railway Advisory Council
 regarding Capacity of the Railway-Season 1937.

Registered in accordance with the minutes on

28179/19/36 Kenya.

Put by

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 R.297

15.1.37 ATONGE.

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CAPACITY OF THE RAILWAY - SEASON 1937.

The attention of Council is drawn to the memorandum dealing with the Capacity of the Railway, dated 24th April, 1936, and considered at the 46th Meeting of Council in May last; also to Minute No. 1045 of the 47th Meeting, held in July, wherein the following was recorded:-

"Council had under consideration the memorandum submitted by the General Manager, No. A.4/224, dated 3rd June, 1936, and, after a very lengthy discussion of all the points involved, NOTED the statement by the General Manager that the present application of the quota system had not eliminated completely "peak" movement during certain months, but, as the cost, in practice, had not proved a hardship to other traffics,

Council AGREED to recommend -

That the present ratio of non-controlled to controlled traffic be maintained.

2. Council FURTHER NOTED the views of the Uganda Members, as recorded in the following memorandum:

The present system of operating "Z" rate traffic is unsatisfactory in practice and it is essential to ensure in advance that adequate facilities for evacuating cotton seed should be made available in reasonable monthly allocations each season in accordance with requirements and without additional charge to the industry.

Lint and seed (rather than seed and maize) should be treated together for the purpose of assessing appropriate allocations for space, in view of their inseparable connection with the aggregate benefit accruing to the Kenya and Uganda Railways and Harbours from the cotton industry in respect of paying traffic, both import and export.

Main Line facilities should be improved, if necessary, to deal with the increasing volume of traffic and the potentialities of Lake Victoria for evacuation of produce should be examined and rationalised.

3. Whilst appreciating the intimate relation between lint and seed, as emphasised in the Uganda memorandum and in the General Manager's memorandum on Rates Policy of 1931 and the importance to the Railway Administration of the cotton industry as a whole, Council was of opinion that the existing system of quota allocation on the wide lines contemplated in paragraph 7 of Minute 792 for the present should provide adequate facilities for the evacuation of both maize and cotton seed during the first six months of the year without extra cost to either industry.

4. In order to secure the maximum benefit for both maize and cotton seed, the Railway Administration should fix the monthly allocation after joint consultation with two nominated members of Council and two representatives of the interests concerned."

2. Following the decision contained in the above Minute, the capacity of the Railway for the coming year has been carefully considered.

3. As a result of our experience during the present year, it is considered that the tonnage that can be dealt with by the present number of trains can be increased somewhat over the figures given in the April memorandum. It is considered, therefore, that it will be safe to accept a tonnage of 57,108 tons of export traffic to the Coast in a month of 31 days, or 55,266 tons for a month of 30 days. On the other hand, it is anticipated that the cotton crop for the coming year will be substantially greater than the crop for 1936.

4. For the present purpose, an export of 400,000 bales of cotton has been taken. On this basis, the following figures show the anticipated position and the capacity of the Railway to deal with controlled traffic in cotton seed and maize:-

EXPORT TRAFFIC - SEASON 1937.

Month	Total Uncontrolled Traffic 1936	Tonnage of Cotton 1936	1937 Estimated Additional Tonnage of Cotton to 1936	Estimated Total Uncontrolled Traffic 1937	Maximum Capacity 1937	Balance available for Controlled Traffic
	Tons	Tons	Tons	Tons	Tons	Tons
JANUARY	18,688	777	179	18,867	57,108	38,241
FEBRUARY	23,598	7,077	1,633	23,231	51,582	28,351
MARCH	29,473	13,602	3,138	32,611	57,108	24,497
APRIL	28,648	14,416	3,327	31,975	55,266	23,291
MAY	23,843	9,062	2,091	25,434	57,108	31,674
JUNE	21,548	7,699	1,776	23,324	55,266	31,942
						175,996

Subsequent months as for June.

5. It will be noticed that these figures, for the first six months of the year, represent a substantial increase on the figures previously given. This increase has been made possible by a steady improvement in operating conditions and a better time-table, resulting in a quicker turn round of wagons and locomotives. Unless unforeseen

accidents or difficulties or sickness occur, it is believed that the export requirements can be met in a reasonable manner and in accordance with the approved policy.

6. The following figures of tonnage of controlled traffic allotted in 1936 and as actually worked in 1936 will be of interest:-

Month	1936	1936		
	Tonnage of Controlled Traffic Allotted	Maize	Cotton Seed	Tonnage of Controlled Traffic Worked
	Tons	Tons	Tons	Tons
JANUARY	20,000	13,130	961	14,092
FEBRUARY	21,000	17,854	6,399	24,254
MARCH	22,000	14,444	13,191	27,636
APRIL	25,000	10,198	15,946	26,145
MAY	25,000	11,096	16,311	27,407
JUNE	28,000	2,995	17,193	20,189
				139,726

7. The allocation of controlled traffic as between maize and cotton seed has to be arranged, and, for this purpose, Council is asked to appoint representatives to consult with the Administration in deciding upon the quotas to be allotted.

Ref. No. A.9/563.

GENERAL MANAGER'S OFFICE,
NAIROBI.

28th September, 1936.

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MEMORANDUM FOR RAILWAY ADVISORY COUNCIL.

RAILWAY RATES POLICY IN ITS RELATION TO THE QUOTA SYSTEM.

The Transport Services of Kenya and Uganda, incorporated under the name of the Kenya and Uganda Railways and Harbours, are designed, managed and directed with the sole object of providing the best, cheapest and most efficient service for the public as a whole and the extent to which they fail to do this is a measure of the failure of those responsible for their design, management and direction.

2. In reviewing the rates policy of the Services, therefore, an attempt will be made to estimate the success, or otherwise, of our efforts by the answer to the question: Are we in fact serving the public, or are we, as has been suggested in this Council and outside, exploiting the public for the benefit of the Transport machine? with particular reference to the quota system for regulating and controlling the two low-rate commodities, maize and cotton seed.
3. In order to avoid undue repetition, members of Council are asked to read carefully the memorandum on Rates Policy, dated 25th July, 1931, first considered by Council at their meeting of September, 1931 (Minute 668), upon which the present quota system was based, but it will be appropriate to recall to mind the fact that the memorandum in question was drafted as one of the measures to deal with a very serious financial situation. The present position, however, is quite different as the finances of the Administration have never been more sound. It is for consideration whether that satisfactory fact is due to the measures then adopted, and, further, whether having re-established the financial position it is now possible to relax some of the conditions then laid down.
4. Fortunately, as a direct result of the policy of the Management to provide detailed information and statistics of working and costs (See paras. 6 et seq. of the 1931 memorandum), Council have at their disposal with the publication of the Annual Report for 1935, a mass of information sufficient to enable a proper judgement to be arrived at. The memorandum entitled "The Future Financial Policy of the Kenya and Uganda Railways and Harbours Administration, dated 14th May, 1935, and submitted to Council at their meeting of the 12th/13th June, 1935, (Minute 971) contains a full summary of the financial position, which, with the figures now available for 1935, brings up to date the information available.
5. From a study of this data, Council will no doubt agree that, whatever may be necessary or possible in the future, the policy inaugurated in 1931, combined with other economy measures, has, with the important assistance of excellent cotton crops in Uganda and the mining industry and other developments in Kenya, completely achieved the object aimed at, viz: financial stability.

6. In addition, a careful study of the operating figures and statistics included in the Annual Report, will disclose the fact that the service now offered to the public is more efficient and more economical than at any previous time in the history of the Services. In fact, the only direction of importance where complete satisfaction has not been given is in connection with the application of the quota system to maize and cotton seed. The remainder of this memorandum will, therefore, deal with the consideration and review of that policy.

THE QUOTA SYSTEM:

7. It will be remembered that the difficulty which presented itself so acutely in 1931 was, to an important extent, due to the sudden increase in 1930 and 1931 in the tonnage of maize to be exported. On one occasion only prior to this i.e. in 1927, had the maize crop provided comparable figures. In 1930 and 1931 the ton mileage of low-rated commodities (maize, cotton seed and wheat), as shown by the table published on page 69 of the Annual Report for 1935 and reproduced below for ready reference, reached the alarming proportion of 35% and 33% of the total public traffic carried. On one occasion since the proportion has been as high as 29% (i.e. in 1933).

(For Table see page 3)

NOTE: This table has been prepared on the basis of an estimated average length of haul for maize and cotton seed of 550 and 738 miles respectively. Actual mileages for the traffic dealt with in 1935 were 572 for maize and 807 for cotton seed and for the first quarter of 1936: 565 for maize and 790 for cotton seed.

When it is remembered that in 1930 and 1931 the "out-of-pocket" cost of moving these low-rated commodities under the then existing "peak" conditions was very considerably in excess of the rates charged, the seriousness of the position will be realised.

8. By 1933, the introduction of the quota system and other economy measures had considerably reduced the cost of haulage and that year, in spite of the high proportion of low-rated traffic (29%) showed a substantial surplus in working, whereas the three previous years had shown heavy losses. It would appear from this experience that the present policy has safely stood the test of carrying under the quota system, a high proportion of very low-rated commodities. This is, of course, due to the fact that under the quota system as then applied the out-of-pocket costs did not, as they did formerly, exceed to any serious extent, if at all, the income obtained. This position can be maintained so long - but only so long - as the rates charged do in fact approximate out-of-pocket costs, and, under these conditions, every increase in the tonnage of these commodities has a direct and definite beneficial effect on the finances of the Services quite independently of the increase or decrease in the totals of other traffic.

Year	Maize		Cotton Seed		Wheat.		Total in Millions of Ton Miles.	Percentage of Total Public Traffic.	
	Average Rate 2.2 cents per Ton Mile. Temporarily 1.35 cents		Average Rate 3.08 cents per Ton Mile		Average Rate 3 Cents per Ton Mile				
	Tons.	Ton Miles.	Tons.	Ton Miles	Tons.	Ton Miles			
1922	19,856	8,935,200	2,520	1,859,760	27	12,150	10.8	Not available.	
1923	43,735	20,695,450	10,014	7,390,332	9	4,050	28.1		
1924	59,336	29,074,640	21,155	15,612,390	92	41,400	41.7		
1925	61,238	31,251,380	22,309	16,464,042	29	13,050	47.7		
1926	46,499	24,644,470	35,563	26,245,494	5	1,350	50.9		
1927	89,383	49,160,650	29,957	22,108,266	16	7,200	71.2		29.5
1928	44,648	24,228,400	42,844	33,833,610	4,938	3,077,100	61.4		25.0
1929	40,185	22,101,750	68,069	50,234,922	3,267	1,450,150	73.8		24.5
1930	119,766	65,891,300	35,910	26,501,580	10,766	4,853,700	97.2		35.0
1931	94,313	51,873,250	49,610	36,612,180	3,134	1,410,300	89.9		30.1
1932	34,510	18,900,500	59,482	43,897,716	11	4,950	62.9	24.6	
1933	49,598	27,278,900	84,768	62,558,784	..	..	89.8	20.1
1934	26,107	14,358,850	40,422	29,931,436	..	..	44.2	15.7
1935	63,663	35,014,650	55,669	41,083,722	..	..	76.1	22.8

9. Where the rates charged do not in fact cover out-of-pocket costs, as when peak conditions, even to a limited extent are permitted, then the extra cost can only be carried without hardship or danger provided there is an adequate increase in better paying traffic.

10. The fluctuations in ton mileage of low-rated commodities is clearly shown in the above table and when it is stated that the ton mileage in 1936, with a 70,000 ton export of maize and a 90,000 ton export of cotton seed will exceed the highest previous total (i.e. in 1930) the importance of the revenue approximating the out-of-pocket cost of movement, is clearly evident.

NOTE: It may be stated here that this is an invariable condition of all very low rates on all soundly managed Railways. See also para. 36 of the memorandum of 1931.

11. While the growth and fluctuations in low-rated ton mileage is indicated in the above table, it is necessary, to complete the picture, to give under a few main commodity heads, similar figures of "paying" or "uncontrolled" traffic. These are shown in the following table:-

(For Table see page 5).

These two tables give a complete picture of the present position, while the graph on page 3 will perhaps indicate future tendencies.

"UNCONTROLLED" PUBLIC TRAFFIC

Page 5.

Year	Cotton		Coffee		Soda Ash		Other		Total in Millions of Ton Miles.	Total Public Ton Miles.	Total Tons of Public Traffic	Percentage of total public traffic.
	Average rate 11.3 cents per Ton Mile		Average rate 11.5 cents per Ton Mile		Average rate 4.89 cents per Ton Mile		Average rate 17.9 cents per Ton Mile.					
	Tons.	Ton Miles	Tons	Ton Miles	Tons	Ton Miles	Tons	Ton Miles				
1927	15,298	11,289,924	18,369	8,376,264	60,104	22,719,312	599,935	129,210,572	191.6	242,872,188	813,062	70.7
1928	29,091	21,469,158	23,269	10,610,664	70,620	26,694,360	641,012	146,668,972	205.4	266,910,264	861,323	77
1929	37,311	27,535,518	16,427	7,490,712	56,989	21,541,842	730,686	170,388,438	227	300,263,386	952,934	75.5
1930	24,531	18,103,878	29,784	13,581,504	44,005	16,633,890	633,498	157,150,000	205.5	302,685,762	898,280	65
1931	36,390	26,855,820	25,695	11,714,320	43,697	16,517,466	549,153	138,032,709	195.1	283,048,646	801,994	66.9
1932	38,179	28,176,102	28,723	13,697,022	42,160	15,936,480	520,385	136,065,903	193.5	257,183,976	723,453	75.4
1933	54,823	40,459,374	29,743	13,565,730	35,778	13,624,084	511,651	130,953,611	213.3	308,338,673	766,363	70.9
1934	54,182	39,986,310	32,810	14,961,360	30,857	11,663,946	544,328	170,646,837	237.5	281,458,745	728,706	84.3
1935	49,538	36,559,044	44,734	20,398,404	41,919	15,645,362	594,272	185,530,294	258.3	334,431,796	849,795	77.2

Controlled, uncontrolled and total public ton miles

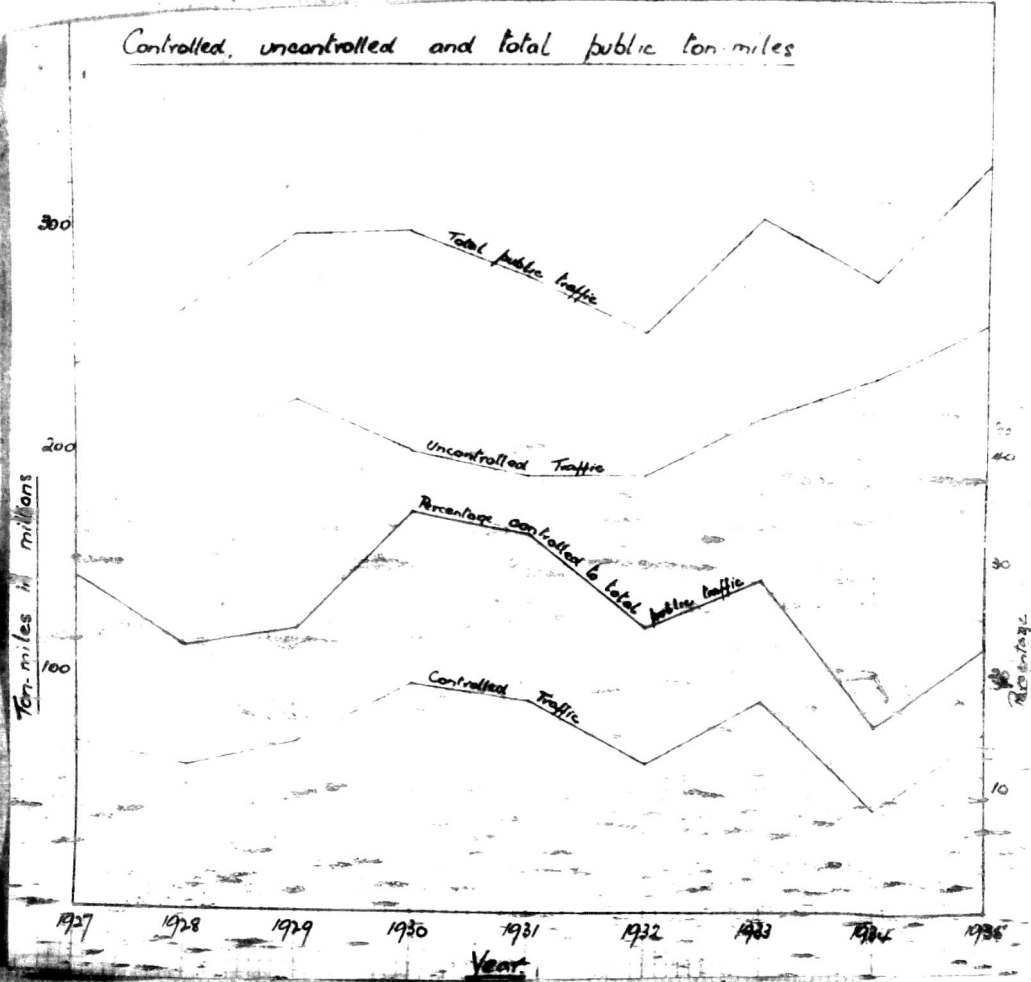


Fig 6

12. It will now be clear from an examination of these two tables and of the graph that it is quite impossible to say what tonnages and ton mileages of controlled and uncontrolled traffic future years will produce, but it may perhaps be stated that, while there should be a steady increase in "uncontrolled" traffic with the growth and development of the two territories, "Controlled" traffic may fluctuate considerably and may, therefore, vary from a comparatively unimportant proportion of the total to quite a serious proportion. This fluctuation is unimportant in its effect on the financial position only when revenue approximates or exceeds (however slightly) out-of-pocket costs. It is now necessary, therefore, to examine carefully the question of costs as compared with the services rendered during the present year, and, in order to ensure a proper comparison, the same basis will be followed as was done in the 1931 memorandum.

COSTS:

13. The arguments in that memorandum were based on average figures and it is therefore necessary to repeat the warning contained in para. 30, reproduced herewith:-

"30. It is important to realise that while average costs may, as stated in my Report, be indicative of the position, they must be carefully analysed when deducing from such figures what the approximate cost of carrying individual commodities might be. It is quite impossible to obtain accurate costs of carrying any one commodity. Too many factors enter into the calculation. Under conditions such as exist in this country, average costs are more closely accurate than would perhaps be the case elsewhere. An examination of average cost figures will, therefore, be of value."

14. The average costs per public freight ton mile are shown on page 9 of the Annual Report and are reproduced below for convenience:-

	Average Costs per PUBLIC Freight Ton Mile					
	1930	1931	1932	1933	1934	1935
	Cents	Cents	Cents	Cents	Cents	Cents
Ordinary Working Costs	6.565	6.916	6.909	4.691	5.157	4.925
Depreciation Costs	2.037	2.174	2.533	2.175	2.388	2.010
Working Costs (Inclusive of Depreciation but exclusive of Loan Charges)	8.602	8.990	8.542	6.864	7.545	6.935
Loan Costs	3.475	4.300	4.937	3.994	4.363	3.782
Total Costs	12.077	13.290	13.479	10.858	11.908	10.717

NOTE: The costs given in the 1931 memorandum were based on "average" costs per total freight ton mile. It will, however, be obvious that the more correct picture will be given by the table shown above.

15. If ton mileage figures remained constant, then fluctuations in "average" costs per ton would indicate the increase or decrease in cost of working, but with a fluctuating ton mileage, these figures are somewhat vitiated. The figures for 1935 may, however, be taken as reasonably representative of the position.

16. The difficulty and danger of applying "average" costs to particular commodities have already been referred to and members should also read paras. 41-53 of the 1931 memorandum, dealing with "W", "X", "Y" and "Z" costs depending on the conditions under which traffic is carried and for convenience the very important paragraphs 46, 47 and 48 are repeated here:-

46. It is obvious that rates just sufficient to cover Class "Z" and Class "Y" costs can only justifiably be quoted when traffic concerned is not a peak traffic, i.e. when it can be carried in rolling stock and with staff required and paid for by other traffic.

47. It follows from this that if a traffic is only capable of bearing a rate equivalent to Class "Z" or Class "Y" cost, such a rate can only be agreed to if the conditions controlling such costs can be adhered to.

Provided such conditions can be adhered to, something above costs helps to reduce the Loan and overhead charges on all other traffics, and is therefore beneficial to all other users of the Railway.

48. It is further obvious that the greater the importance of a low-rated traffic in proportion to the total traffic of the Railway, the greater the care that is necessary to see that the rate charged does in fact cover cost in the conditions under which it is carried. The amount over and above such cost that can be levied depends entirely upon what the traffic can bear.

It will usually be found to be the case that low valued commodities for export can afford only Class "Y" or Class "Z" conditions, while the lowest ordinary Class rate (in our case Class 10) should cover Class "X".

17. The question of empty haulage is a very important one and the figures given in Bulletin No. 17 and in the memorandum on the Capacity of the Railway, dated 24th April, 1936, and considered at the last meeting of Council are relevant and are reproduced below:-

IMPORT TRAFFIC FORWARDED FROM THE COAST.

<u>1935</u>	<u>TONS</u>
January	15,937
February	21,460
March	33,392
April	16,780
May	11,394
June	16,573
July	11,584
August	33,409
September	27,222
October	14,069
November	25,589
December	<u>18,334</u>

Total for the Year 245,743

1936

January	26,396
February	28,675
March	24,214

EXPORT TRAFFIC RECEIVED AT THE COAST.

<u>1935</u>	<u>MAIZE</u>	<u>COTTON SEED</u>	<u>TOTAL OF MAIZE AND COTTONSEED</u>	<u>OTHER TRAFFIC</u>	<u>TOTAL AL TRAFFIC</u>
	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>
January	8,204	1,472	9,676	16,112	25,788
February	14,604	6,819	21,423	21,683	43,006
March	4,469	9,191	13,650	23,755	37,405
April	15,683	10,198	23,881	21,927	45,808
May	8,011	3,196	11,207	21,418	32,625
June	2,084	7,343	9,427	17,536	26,963
July	3,804	5,447	9,251	16,566	25,817
August	402	2,039	2,441	15,325	17,766
September	2,089	680	2,769	20,132	22,901
October	691	1,369	2,060	20,698	22,758
November	882	836	1,718	19,383	21,101
December	4,740	1,089	5,829	22,714	28,543
Total for Year	63,663	55,669	119,332	237,149	356,481
<u>1936</u>					
January	13,130	963	14,093	18,668	32,761
February	17,854	6,400	24,254	24,598	48,852

18. It may be stated that this year (1936) while the average empty haulage for the whole year will probably be about 22.5%, the maximum in an up direction during March and April has been over 60%.

19. With these figures before us, we can now turn to a consideration of the actual costs of moving maize and cotton seed under the conditions in force this year.

NOTE:

NOTE:

For the history of the maize industry and maize rate and cost of movement see paras 54 et seq. of the 1931 memorandum.

20. It has been laid down as a definition of the quota system that maize and cotton seed will only be carried when facilities are available which are provided and paid for by other traffic i.e. Class "Z" conditions.

21. In actual practice, it will be clear from the figures given in the memorandum on the Capacity of the Railway, dated 24th April, 1936, that existing facilities for "uncontrolled" traffic, due mainly to improvements in operating conditions, are still much in excess of requirements and that "peak" conditions have in fact applied and "facilities" contrary to Tariff Book regulations have been provided without extra charge for maize and cotton seed. In other words, the quota system has been leniently applied that it has not prevented "peak" conditions during certain months with resultant extra cost, as it was originally intended to do.

22. The financial results for 1933-1935, however, show that the abandonment of the quota system to this extent can be carried on the present tariff basis without financial embarrassment. It will, however, be clear that, if necessary, the "peak" could be still further flattened out at some considerable saving, thereby freeing further sums for rates reductions. Whether such a step is desirable is doubtful, taking all things into consideration, because there is no reason to think that any existing rate is bearing unduly harshly on any industry or hindering development in any way, but, from the point of view of the commodities served, a general reduction in transport charges would no doubt be beneficial.

23. The present position, however, is not free from danger, in that while locomotives and wagons are available at the moment for the special service now being provided, the time will come when these will be required for uncontrolled traffic and the two industries concerned will not then be in a position to pay for additional rolling stock. However, in order that the position may be quite clear, Statement "A", based on modern figures, has been prepared, showing what the cost should be now on true "Z" conditions. This table is strictly comparable with Statement "B" of the 1931 memorandum, but allows for subsequent reductions in working costs and also for the considerable reduction that has taken place in the price of coal.

24. Statement "B" shows, as near as it can be estimated, the "out-of-pocket" cost of the service as actually provided in 1936, making due allowance for the additional rolling stock utilised over and above "uncontrolled" traffic and for excess empty haulage.

25. With these figures before us, it is now possible to compare revenue with cost. With the abolition of the Branch Line rates in December, 1935, but neglecting the temporary rebate, the average charge per ton mile for export maize is now 2.319 cents.

26. Comparing this with the average cost of the present service as given in Statement "B", we find that, in spite of the reduced cost of working, as compared with 1931, as shown in Statement "A", the present charges do not cover the out-of-pocket cost of providing the present service.

COTTON SEED:

27. Statements "C" and "D" show similar costs for cotton seed, while the average charge is 2.879 cents per ton mile.

28. The following courses are open to us:-

(i) To endeavour to maintain the present position, allowing "uncontrolled" traffic to pay for the "peak" service given to maize and cotton seed;

(ii) To insist on "Z" conditions and, if considered desirable, to reduce the rates on maize and cotton seed further;

(iii) To call upon maize and cotton seed to meet their full costs.

CONCLUSIONS:

29. With the information now before us, it is possible to come to certain definite conclusions:-

(i) Retention of the Quota System:

The introduction of the Quota System was necessary as one of the measures to save the Administration from bankruptcy. The complete abandonment of the system would re-introduce former dangers and difficulties and again increase cost at the expense of the other users of the Railway. The retention of the system, in the modified form now in force, will probably avoid undue danger, make such traffic welcome to the Administration and a benefit to other users of the Railway and yet permit of satisfactory rates reductions, not only to other traffic, but possibly even to maize and cotton seed as well.

(ii) Degree of Application:

It has been shown that the present application of the system has failed to eliminate "peak" movements during certain months. As, however, the cost in practice has not proved a hardship to other traffics, it would appear that the present ratio of uncontrolled to controlled traffic can be maintained, i.e. 3:2 on an export tonnage basis, or, taking the 1933 figures, 71:29 on a total ton mileage basis.

30. This means that as capacity is increased to deal with any increase in "uncontrolled" traffic, so "controlled" capacity will also be automatically increased proportionately. It is

considered that this "natural" increase in capacity will take care of the growth of either industry in a reasonable manner.

31. By the close of the present season, it is anticipated that the two crops will have been dealt with approximately as follows:-

		<u>MAIZE</u>	<u>COTTON SEED</u>
		Tons	Tons
January	Actual	13130	951
February		17854	6399
March		14444	13191
April		10198	15946
May		9000	15000
June		7000	15000
July		-	20000
August		-	3503
		<u>71626</u>	<u>90000</u>

It is considered that such a service is more than adequate and that there is no justification for providing a more costly service at the expense of other traffic.

32. While, perhaps, at the moment, a small further increase in capacity can be provided fairly cheaply by drawing on stabled wagons, a study of Statements "A", "B", "C" and "D" shows that costs for all movements above the peak increase very rapidly. Moreover, when additional capacity is required for "uncontrolled" traffic, the rolling stock now surplus to requirements and stabled would no longer be available. It follows that the maintenance of such an increased standard of service must eventually involve the purchase of rolling stock and the provision of other facilities on the line and at the Port outside the capacity of the two industries to pay for. Any policy which will tend to interfere with the present satisfactory level of expenditure and resulting operating ratio is regarded with great alarm, as it will inevitably retard seriously the policy and desire of the Administration to reduce rates as traffic grows.

33. The maize industry is now adequately organized on the present basis and it is recommended that the cotton seed industry do likewise. This can be done without any greater expense than was incurred by the maize industry by:-

- (i) Increasing storage at gineries, if necessary; and
- (ii) Providing storage at private sidings at main despatching stations.

The cotton seed industry already has considerable advantage over the maize industry at the Coast as regards shipping arrangements and the need for storage at the Port.

RELATIVE APPLICATION OF QUOTA SYSTEM TO MAIZE AND COTTON SEED:

34. It has been the endeavour of the Administration in allotting quotas to distribute evenly and equitably between the two industries the difficulties and costs arising from the Quota System.

Maize is usually ready for shipment early, but prices in the early months are not so good as later. Also, the maize at that time is frequently wet and re-conditioning costs are incurred. However, being ready, maize, in the interests of both industries is forced out early. Both maize and cotton seed would like full allotments in February, March, April and May.

Both maize and cotton seed deteriorate and lose value with storage.

The balancing of all these factors is difficult, controversial and leads to friction, but the decisions of the Administration have been loyally accepted until this year.

If the Management is to continue to undertake this duty, it will be necessary again to lay down the conditions imposed in Minute 792 of the meeting of 1st/2nd March, 1933, viz:

"5. With regard to the operation of the quota system, it was felt that, as a result of experience during the present season, more efficient results would be obtained if the allocation of tonnage was left directly in the hands of the Railway Administration. The General Manager explained that he could only accept a responsibility of this nature if he were assured of the complete co-operation of both industries and the full support of Council. The problem of allocating tracks for the movement of bulk commodities, when the capacity was not equal to the demand, was an exceedingly difficult one and to make the best arrangements for both industries required the complete co-operation and assistance of all concerned."

35. The above arrangements are based on equality of treatment. The cotton seed industry, however, claims a preference in that it is part of the cotton industry. This issue cannot be evaded any longer and must be settled definitively once and for all by Council, one way or another.

The view of the Administration is that cotton seed must not be correlated with cotton lint, otherwise the cotton industry as a whole is shown to be a non-paying one.

The true position is that there are two commodities carried by the Railway able to pay "Z" rates only, i.e. maize and cotton seed. All other paying traffic, each according to its ability, helps to make up the shortfall. All other users of the Railway, therefore, help to bear the burden according to their ability and capacity and all users benefit from the maize and cotton seed traffic, however much it increases, provided the rates paid approximate out-of-pocket costs and "Z" conditions are reasonably applied. This, it is believed, is the answer to the question put in para. 2 of this memorandum.

RECOMMENDATIONS:-

- (1) That the Quota System be retained.
- (2) That the present ratio between "controlled" and "uncontrolled" traffic be maintained.
- (3) That in fixing allocations, neither maize nor cotton seed be given preferential treatment; i.e. that available "Z" class traffic capacity is to be divided between maize and cotton seed pro rata to the estimated total tonnages of the two crops, due regard being paid to the date at which each crop is expected to become available for export.
- (4) That the question of reducing rates on maize and cotton seed, when carried under present conditions, be considered as a rates problem along with other commodities.
- (5) That Council fixes the allocation as between the two industries, or, alternatively, that the Administration be called upon to do so in close consultation with the two industries and subject to the conditions laid down in Minute 792.

Ref. No. A.4/224.

GENERAL MANAGER'S OFFICE,
NAIROBI.

3rd June, 1936.

STATEMENT "A".

ESTIMATED OUT-OF-POCKET COSTS OF TRANSPORT OF
EXPORT MAIZE UNDER "Z" RATE CONDITIONS - 1935.

1935	Total Railway Expenditure	Goods Proportion	Cost per 1000 ton miles
	£	£	Cents
Trip Allowances of Running Staff	40,359	32,849	207.928
Fuel	120,030	97,696	618.399
Water	12,089	9,840	62.285
Running Stores	5,816	4,571	28.934
Maintenance Locomotives	64,899	52,660	333.329
Maintenance Waggons	50,461	50,461	319.409
Maintenance Brake Vans (Caboose)	-	-	- See footnote
Unloading Charges (90 cents per ton)	-	-	157.343
			<u>1,722.627</u>

1935	(Average receipt per ton mile	2.376 cents	
	(Average haul	572 miles	
December 1935	(Average receipt per ton mile	2.381 cents	(Subsidy not treated as cost reduction).
	(Average haul	575 miles	

In order that the costs may be strictly comparable with 1930 costs, no provision has been made in respect of these items as they were not included in the 1930 costs.

STATEMENT "B".

ESTIMATED OUT-OF-POCKET COSTS OF TRANSPORT OF
EXPORT MAIZE UNDER CONDITIONS OPERATING IN 1936.

(Based on 1935 expenditure figures plus 50% to cover additional empty haulage.)

1935	Total Railway Expenditure	Goods Proportion	Cost per 1000 ton miles
	£	£	Cents
Trip Allowances of Running Staff	40,350	32,849	311.892
Fuel	120,030	97,696	927.599
Water	12,089	9,840	93.428
Running Stores	5,616	4,571	43.401
Maintenance Locomotives	64,699	52,660	499.994
Maintenance Wagons	50,461	30,461	479.114
Maintenance Brake Vans (Gabooses)			
Unloading Charges (90 cents per ton).			157.343
			<hr/> 2,612.971
(Average receipt per ton mile		2.319 cents	(Subsidy not treated as rate reduction
(Average haul		583 miles	

NOTE:

As rolling stock was available to enable traffic to be moved on the above basis, no Loan or Renewal Fund charges for locomotives and wagons have been included. To arrive at a more correct estimate of actual cost, this cost, amounting to approximately 0.5 cents per ton mile should be added.

STATEMENT "D".

ESTIMATED OUT-OF-POCKET COSTS OF TRANSPORT OF EXPORT
COTTON SEED AT CONDITIONS OPERATING IN 1936.

(Based on 1935 expenditure figures plus 50% to cover additional
empty haulage).

1935	Total Railway Expenditure	Goods Proportion	Cost per 1000 ton miles
	£	£	Cents
Trip Allowances of Running Staff	40,359	32,849	389.865
Fuel	120,030	97,696	1,159.499
Water	12,069	9,840	116.784
Running Stores	5,616	4,571	54.252
Maintenance Locomotives	64,699	52,660	624.991
Maintenance Wagons	50,461	50,461	598.891
Maintenance Brake Vans			See footnote.
Maintenance Caboose			
Loading and Unloading at Lake Ports. (Average cost per total ton mile of all cotton seed handled)			22.181
Unloading Charges (90 cents per ton)			111.524
			6,077.987

First Quarter 1936	}	(Average receipt per ton mile 2.879 cents (Average haul 790 miles
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NOTE:

As rolling stock was available to enable traffic to be moved on the above basis, no Loan or Renewal Fund charges for locomotives and wagons have been included. To arrive at a more correct estimate of actual cost, this cost, amounting to approximately 0.5 cents per ton mile should be added.

K I R A H A D

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL

SUBJECT:

THE QUOTA SYSTEM.

PARTICULARS

AND

REMARKS

The accompanying memorandum has been submitted by the Government of Uganda.

2. The final draft of this memorandum only reached the General Manager's Office on May 2nd and there has not been time, therefore, to prepare a comprehensive summary of the position.

3. The attached Notes, however, may assist Council in considering this very important problem. It is suggested that this item should be discussed immediately after Item 17 on the agenda, dealing with the Capacity of the Railway.

Ref. No. A.9/48/II.

GENERAL MANAGER'S OFFICE,
NAIROBI.

22d May 1952.

CONFIDENTIAL.MEMORANDUM ON THE ALLOCATION OF TRAFFIC QUOTAS BETWEEN
MAIZE AND COTTON SEED.Submitted by the Government of Uganda.

It may be stated at the outset that the object of this memorandum is not to impugn the principles governing "Z" rate traffic, nor to question the need for limiting the volume of low-priced traffic to be carried by the Railway Administration through specific allocations of space in any one month and over the period of the year's working. These principles were adopted after prolonged debate and negotiations and their review would only be justified by considerations of over-riding importance, which, so far, have not supervened. The present season, however, covering, as it does, concurrent and record outputs of both maize and cotton seed, has disclosed certain factors in the practical application of these governing principles which, in the opinion of the Uganda Government, merit discussion with a view, if possible, to ensuring that a recurrence of similar conditions may be dealt with on agreed and more comprehensive lines.

2. So far as the Administration's equipment and personnel are affected, it is understood that a separate item on the agenda will deal with the existing position in respect of locomotives, rolling stock and running staff. This memorandum, therefore, is confined to a statement of certain considerations which, it is submitted, should be given due weight in allocating space to the two commodities and in examining the possibility of utilizing alternate methods of evacuation on occasions of emergency.

3. As a result of difficulties arising out of the application of the "Z" rates, it was decided in 1932 that a definite tonnage should be allotted to each of these commodities annually, the aggregate not to exceed 170,000 tons. The allocation for 1932-1933 was based on the maximum tonnages of maize and cotton seed which had been exported up to that time. In succeeding years, the allocation has been dependent on the amounts of these commodities which were likely to be offered, as in no year since then has the combined tonnage of the two commodities approached 170,000 tons.

The present season, however, presented exceptional features, viz: anticipated record crops in both commodities; a relatively low price for lint and a relatively high price for seed - features which could not be foreseen greatly in advance and which were certainly not considered by the Railway Administration, as regards cotton seed, in their original allocations for the current season, which were as under: - (and which for purposes of comparison are set against the corresponding allotments made for the 1933 crop)

1933	MAIZE	COTTON SEED	1936	MAIZE	COTTON SEED
	Tons	Tons		Tons	Tons
<u>1932</u>			<u>1935</u>		
Dec.	5,000	-	Dec.	No restriction	-
<u>1933</u>			<u>1936</u>		
Jan.	12,000	-	Jan.	20,000	No restriction
Feb.	11,500	3,000	Feb.	15,000	6,000
Mar.	5,000	6,000	Mar.	10,000	10,000
Apr.	5,000	8,000	Apr.	10,000	10,000
May	5,000	10,600	May	10,000	10,000
June	6,000	8,000	June	10,000	10,000
July	1,500	14,000			
Aug.	-	11,400			
Sept.	-	-			
Oct.	-	-			
Nov.	-	-			
Total 12 months	51,000	61,000	Total 6 months	75,000	46,000

4. It is true that, as the result of urgent representations from this Government, further allocations for cotton seed (and perhaps also for maize) have been furnished by the Railway Administration, but this factor can be discounted for the purpose of the present argument on the ground that the system, as administered, obviously involved the cotton industry in definite disabilities as compared with the 1933 allotments which were the result of a sub-committee in close consultation with the two industries concerned. It has now transpired that the allocations for 1936 were settled between July and August, 1935, and took no account of subsequent information that the cotton industry would require transport for about 90,000 tons of cotton seed. It is suggested, therefore, that if a quota system for low rated traffic is to be efficiently operated allocations must be reviewed as near as possible to seasonal movements if the industries affected are to receive equitable treatment.

5. In this connection it is desired to emphasise that the cotton industry, from the Railway standpoint, warrants particular consideration and that due weight should be given to the relation between cotton seed and lint cotton. The cotton crop differs from the maize crop in this important respect, - that it provides two separate marketable commodities - the lint, which in itself provides paying traffic for the Railway, and the seed. Under present conditions the quantity of seed available for export each year must naturally be in a calculable ratio to the amount of lint available: (this ratio may be expressed as 5.8:3.2), although the quantity actually exported is dependent on circumstances which do not affect the lint market. In any year, that is to say, the whole of the lint production will be exported, whereas it will be profitable to export only a varying proportion of the seed. It may therefore be expected that any increase in the volume of traffic which may be required to evacuate all the exportable cotton seed will be accompanied by a compensatory increase in the volume of traffic required to evacuate the lint.

6. Regarding the two crops, maize and cotton, as entities, the position is that while export maize is transported over the Railway system at the "Z" rate of between Shs. 11/20 and Shs. 13/50 a ton the total charge in respect of the cotton crop is very substantially higher. The seed is transported at the "Z" rate of Shs. 22/75 a ton, but the charges in respect of lint vary between Shs. 73/03 from Tororo and Shs. 107/52 from certain of the Lakes Kioga and Kwana and Victoria Nile ports. Assessing the distribution of the producing centres on the basis of the Railway booking returns for 1935, it is found that the average rate paid on all Uganda lint transported by the Railway is slightly in excess of Shs. 85/00 a ton. Applying this figure to the totals of lint exported in 1933 and 1934 and including the receipts in respect of cotton seed and the "Z" rate, it will be found that the whole cotton crop was transported by the Railway at a rate slightly exceeding Shs. 47/00 a ton in the former year, and slightly exceeding Shs. 61/00 a ton in 1934. On the same basis, the average haul in respect of lint and seed from Uganda to the Coast is approximately 800 miles. The average rates per ton mile received by the Railway in respect of the 1933 and 1934 crops therefore are 5.87 cents and 7.62 cents. These averages should be compared with the average value of traffic to the Railway where maize and cotton areas respectively are concerned (vide the succeeding paragraph).

7. The economic effect of the cotton crop on Railway receipts may be examined from another angle. If the receipts per ton mile for outward goods traffic accruing from typical centres of maize production are compared with the corresponding receipts from typical centres of cotton production, it will be found that they are substantially lower. This is illustrated in the following table:-

OUTWARD GOODS TRAFFIC.

Average value to Railway per ton of all outward traffic, 1934.

Station.	Total Value £	Value per ton Shs.	Miles from Kilindini	Value per mile Cents
<u>Areas of Maize Cultivation</u>				
Njoro	2,433	10.20	464	2.198
Hoey's Bridge	9,305	17.29	614	2.815
Rongai	4,501	15.62	422	3.309
Kitale	30,853	23.08	628	3.678
Eldoret	14,255	26.80	577	4.644
<u>Areas of Cotton Cultivation</u>				
Mbulamuti	3,315	37.55	788	4.795
Tororo	5,708	35.62	686	5.192
Kamuli	8,291	44.07	773	5.701
Msinze	25,717	48.65	735	6.616
Soroti	13,917	66.28	787	8.421

8. The conclusion to be drawn from the figures quoted above would appear to be that the outward traffic from cotton areas has an average value to the Railway so much higher than that from maize areas as to justify the increasing of the cotton seed quota above the maize quota when a higher tonnage is required for cotton seed. Lint and seed are ready for export simultaneously, and it is obvious that the

Railway Administration must concentrate largely on the transport of the former commodity. At the same time truckage must be made available for evacuation of the concurrent maize crop, which necessarily complicates the position. It is submitted that in any equitable assessment of allocation of space between the low-priced commodities, cotton seed, as an integral part of the cotton crop, should receive special consideration in view of the higher economic value of the industry as a whole to the Railway. If the congestion of traffic during the period affected makes this impracticable, or difficult, then the existing arrangements should clearly be brought under examination with a view to their amendment.

9. Before proceeding further, however, it will be appropriate to examine, in the light of the matter contained in the previous paragraphs, a statement made by the General Manager in his memorandum of the 29th February, to the effect that it was the heavy expenditure previously incurred by the Railway Administration in the movement of these two commodities, for which a very low revenue return was received, which was largely responsible for the serious financial position of the Administration from 1929 onwards. It has already been made clear that any 'loss' which might be occasioned through the transport of cotton seed is limited by the profit accruing from lint. The transport of maize, on the other hand, does not bring into operation any compensatory outward traffic.

10. Examining the General Manager's statement then from this angle, it may be shown that the cotton crop as a whole has been carried at rates which should not have been financially embarrassing to the Railway, especially as the average haul from Uganda was shorter than it is to-day.

	1929	1930	1931	1932	1933	1934
A. Total lint transported						
Tons	35,025	22,496	34,162	35,729	52,080	49,976
B. Average return per ton mile						
Cents	11.418	11.418	11.418	11.418	10.705	10.705
C. Average total Rly. costs per freight ton mile						
Cents	9.481	9.219	10.640	10.674	8.815	9.251
D. Surplus (B-C) per freight ton mile						
Cents	2.937	2.199	.769	.734	1.890	1.454
E. Total cotton seed transported						
Tons	68,539	35,356	47,702	54,829	81,356	35,837
F. Rate at which transported per freight ton mile						
Cents	3.153	3.153	3.153	3.153	2.956	2.956
G. Compensating factor from lint surplus per freight ton-mile						
Cents	1.501	1.399	1.561	.478	1.210	2.028
H. Rate at which cotton seed may be regarded as moving per freight ton mile						
Cts.	4.654	4.552	3.704	3.631	4.166	4.984
I. Average Rly. working cost (without depreciation) per freight ton mile						
Cts	5.534	5.743	6.140	5.440	4.381	4.621
J. Amount by which H. exceeds or falls short of I.						
Cents	-.880	-1.191	-2.436	-1.809	-.215	.323
K. Amount by which H. exceeds direct haulage cost (2.667) quoted by G.M. in 1930 per freight ton mile						
Cents	1.967	1.885	1.037	.964	1.499	2.317

x Includes loading and unloading charge.

It will be apparent that something approaching an economic balance is afforded to the Railway by the cotton crop. The maize crop, on the other hand, is transported entirely at 'haulage costs' rates.

11. The following are the points in which revision of present procedure is desirable:-

- (a) The time of year at which the quotas are fixed - It is impracticable to determine with any accuracy in July and August how much maize or cotton seed is likely to be offered for export during the succeeding season. If, therefore, for convenience, it is necessary that a provisional allocation of tonnages should be made in these months, it should be definitely accepted that this allocation is tentative only, and will be adjusted later in the year as required. The prospects of the cotton crop are capable of assessment by December, and it is considered that the cotton seed quota should not be settled finally until it can be predicted fairly accurately how much seed and lint will be offered for transport. In this connection, it may be observed that a system of fixed quotas would have little to commend it, especially as it would tend to encourage uneconomic production to the limit of the quotas available.
- (b) The present system on which the monthly quotas are operated places cotton seed at a disadvantage in that the quotas are not adjusted to allow of increased export during the months in which the market is normally most favourable. Under the 1936 allocation, 45,000 tons of maize were to be transported between the beginning of January (when the maize quota started to operate) and the end of April. It is considered that substantially larger tonnages should be allotted to cotton seed during the first three months in which it is available for export, as it is of the greatest importance during the first half of the year, since its market is more limited than that of maize, and is to a large extent dependent on buyers' requirements for the succeeding winter. It will be appreciated that close contact with, and between, the two industries is desirable whilst allocations are under review.
- (c) The route by which the cotton crop is transported. The situation which arose early in 1936 with regard to the movement of cotton seed was caused by the two factors just discussed - the arbitrary fixation of the monthly quotas before the cotton crop would be estimated, and the low quota allotted to cotton seed during the important months - and to a third factor - the lack of adequate facilities - which has, however, been capable of adjustment to some extent. This factor arose out of the apparent impracticability of substantially increasing the cotton seed quota without either depriving other commodities of the necessary transport, or incurring heavy expenditure on re-conditioning and bringing into service vehicles which were in store. It was suggested to the General Manager, K.U.R. & H. that the route via Mwanza to Dar es Salaam might be used

for the evacuation of some part of the surplus, and he reported that this route would definitely be uneconomic. Further consideration of the possibility of close co-ordination between the K.U.R. & H. and Tanganyika Railway system seems eminently desirable, so that all outlets for traffic can be utilized fully in a spirit of co-operation rather than competition. It was actually reported that 1,000 tons of cotton seed were booked from Mwanza to Kilindini at a time when all available space was required for evacuation of Kenya and Uganda traffic.

12. It is understood, in the first place, that there is no material difference between ocean freight rates on cotton seed at Mombasa and Dar es Salaam. If, therefore, it would be practicable to ship cotton seed from Uganda lake ports to Mwanza and thence over the Tanganyika Railway system to the latter port, at rates which compared with those obtaining on the K.U.R. & H. system by the Mombasa route, any further congestion of traffic during the cotton season would be avoidable. The General Manager has intimated that the Tanganyika Railway Administration have offered to transport cotton seed by the Mwanza - Dar es Salaam route at Shs. 22/40 a (metric) ton, which is equivalent to the rate of Shs. 22/75 a long ton charged by the Kenya & Uganda Railways & Harbours Administration, but that the charges between a Uganda lake port and railhead at Mwanza would amount to about Shs. 8/00.

13. The distance between Mwanza and Dar es Salaam is just over 756 miles; the distance between Mwanza and Kilindini via Kisumu is assessed at 759 miles. It is, therefore, appropriate that the rates on both systems should be equivalent. The "Z" rate on cotton seed is, however, applied irrespective of distance, and as "Z" rate is paid for by other traffic, circumstances should arise in which it would pay the K.U.R. & H. Administration to liquidate their 'loss' on surplus "Z" traffic by delivering it to the Tanganyika Railway at Mwanza at their own expense. The traffic which enables the "Z" rate to operate would continue to proceed over the K.U.R. & H. system and its contribution to general receipts would remain. The difference would be solely in the "Z" rate receipts. These circumstances would arise when it became practicable to evacuate such a proportion of the total crop by water as would substantially reduce the average haul on that part of the crop which remained to be conveyed by land. It would most clearly be of advantage if the nett saving per ton mile resulting from a reduced haul for the bulk of the crop would balance the cost of transporting the remainder to the Tanganyika Railway system at Mwanza. To illustrate by figures:- If it were practicable to fix the quota in respect of cotton seed at 110,000 tons in any year, it would pay the Railway Administration to move 20,000 tons from the Kampala area by water to Mwanza, provided that this had the effect of reducing the average Uganda haul to 250 miles. The receipts accruing to the K.U.R. & H. for the total consignment would be (90,000 x Shs. 22/75) - (20,000 x Shs. 6/1) or Shs. 21/36 per ton for the 90,000 tons actually carried over the K.U.R. & H. system.

x This figure is based on Shs. 4/- for Lake transport and Shs. 2/- for handling charges at Mwanza. The General Manager when quoting a higher figure for Lake transport based his figure on receipts at Shs. 22/75. The actual haulage cost should, however, be covered by Shs. 4/-.

The present average haul of 800 miles at Shs. 22/75 gives a return of 2.844 cents, and with the average haul at 750 miles almost exactly the same return would be obtained. The gross return would in fact be greater, however, since only a proportion of the balance between 'basic haulage' and fully paying rates on 20,000 tons of traffic would have to be found from the fully paying traffic which would be induced by the export of those 20,000 tons. It should therefore be possible to arrive at a position in which the Lake route would be profitable to the Railway although the average Uganda haul was not reduced to the full extent suggested above, especially if the comparative cheapness of water transport were fully exploited. (Before this position was reached, of course, the K.U.R. & H. would have examined the advantages of making full use of the Kisumu-Nakuru route for the transport of such part of the traffic as could economically be forwarded over it).

14. A second course which might be explored would be that the K.U.R. & H. Administration should come to an arrangement with the Tanganyika Railway which would ensure that additional trucks would be available from the Moshi Line at periods during which heavy "Z" traffic was anticipated.

NOTES ON THE MEMORANDUM ON THE ALLOCATION OF TRAFFIC QUOTAS BETWEEN MAIZE AND COTTON SEED

Submitted by the Government of Uganda, dated 2nd May, 1936.

(References are to paragraphs of Memorandum).

Para. 1.

The present season has taxed almost to the limit the existing capacity of the Railway in a downward direction on the present basis of expenditure, but, beyond the fact that this year both industries have been equally handicapped by the application of the quota system, instead of one only, it is not clear to the Administration that any new factors have been introduced.

Para. 2.

Noted.

Para. 3.

The aggregate over the 12 months of 170,000 tons of "Z" class traffic was the total capacity at that time, after allowing for the known tonnage of non-controlled traffic. The allocation for 1933 did not, of course, exceed the tonnage of each crop to be exported, i.e. maize 51,000 tons; cotton seed 51,000 tons. It was not necessary, therefore, to allocate the full capacity. (See further details see Bulletin No. 7).

By 1933 the latent capacity to deal with "Z" traffic had been increased by at least 50%, after allowing for an expected tonnage of non-controlled traffic of 30,000 per month. (See Bulletin No. 17.)

Although both crops are heavy (a record as regards cotton seed) the full capacity over the 12 months will ~~not~~ be required, but the maximum capacity in any one month is barely sufficient to meet the desires of both industries.

The price levels of cotton and cotton seed do not in any way affect the quota principle, except, possibly, to justify the industry in paying a higher price for a better service, if desired.

The quota for 1936 was provisionally fixed in July, 1935, on the assumption that the export tonnage of maize would be approximately 90,000 tons and cotton seed probably about the same. The first estimate of the cotton seed tonnage could not be obtained until December, when 90,000 tons was indicated. No change in the allocation was necessary to deal with both industries equitably.

In the table the allocation for July and August and later months in 1936 for cotton seed is not given; this can be up to 20,000 tons each month, if required, and possibly even more if non-controlled tonnage falls away.

Page 4.

As promised to the industry, every endeavour has been made to work to full capacity, within the principles of the quota system. A higher capacity was offered on further payment, as a special concession, but not accepted.

Owing to the absence of any unusual accidents or sickness, and to the smooth working of traffic, combined with some falling off in the maize movement, it has been found possible to move even more cotton seed during April than could be guaranteed.

The 1933 sub-committee failed to agree on any definite basis and it was left to the Railway Administration to deal with the problem on the basis of equity. This principle has been adopted in 1936, as in previous years, and hitherto has been loyally accepted by both industries.

If Council can suggest any better way of dealing with this problem, it will relieve the Administration of much difficulty and anxiety.

Para. 5.

The policy of giving cotton seed particular consideration cannot be supported by the Administration and has never been accepted by Council. If Council will agree, on the basis of special consideration, it will materially assist the Administration in dealing with this problem.

In the Railway view, however, the two commodities cotton and cotton seed - must be dealt with on their individual merits and cannot be correlated without introducing enormous difficulties.

"Z" rates cannot be quoted, unless other traffic bears that part of the burden not charged out to cotton seed and maize. The tariff has been designed so that each commodity bears its proper share of this burden according to its capacity.

If the present rates on cotton and cotton seed are not fair and equitable on this basis, this question can be considered as a rates problem.

The argument in this paragraph appears to be inconsistent with requests to reduce the rate on lint, which were put forward in 1927.

Para. 6.

From a Railway point of view, each commodity should be treated on its merits and the arguments brought forward in this paragraph cannot, therefore, be supported.

Para. 7.

The conclusions drawn from the figures in this paragraph are vitiated when it is realised that the assumption that all outwards traffic goes to Kilindini is, of course, not in accordance with fact, particularly as regards stations situated in the Kenye Highlands.

Para. 8.

If our rating system is right, every traffic is of equal value, as they each contribute what they can to the total. Where this is proved not to be the case, it is a matter for rate adjustments.

Will Council agree that cotton seed should receive special consideration? If so, it will assist the Administration materially.

Para. 9.

No 'loss', i.e. out-of-pocket expenditure, now occurs in the movement of maize or cotton seed, owing to the adoption of quota principles.

Maize, as also cotton seed, pays good wages, which are subsequently spent and both commodities induce certain imports and other traffics. With the quota safeguard, neither traffic can be lost without damage to the nett revenue position as a whole; they are, therefore, both equally valuable.

Para. 10.

The figures in this paragraph are based on certain improper assumptions, viz:

- (i) That cotton and cotton seed - two distinct commodities - can be taken together as one. This is contrary to sound Railway practice.
- (ii) That 'averages' can be applied to particular traffic. This is a most 'unsafe' procedure, to be followed only with the utmost care and after the fullest investigation.
- (iii) Even so, they prove that the cotton industry as a whole, as would be expected on this basis, is unsound and has to be supported by other traffics. The correct position, however, is that lint is very sound, but that cotton seed, as is realised, has to be supported along with maize, by all other traffic, according to the ability of each.
- (iv) The arguments are contrary to what is stated in paragraph 1 regarding the principles governing "Z" rate traffic.

Para. 11.

Some fixation of the quota must be made in the period July to October, when the maize industry are making their shipping arrangements. The safest assumption to make at that time, as was done this year, is that both crops will be about equal. The quotas are then reviewed when the cotton seed requirements are known in December. They are thereafter reviewed weekly, or as often as required, with the object of assisting both industries to the maximum extent.

These principles were followed this year and, it is believed, have resulted in equitable treatment of both industries. It is considered that the burden was divided very equally between the two commodities. If Council decide that preference is to be given to one commodity over the other, it will materially ease the difficulty of dealing with this problem.

It is agreed that the closest possible contact between the two industries is desirable. The representatives of the two industries on the sub-committee in 1932 failed to agree, however, and the problem was handed over to the Administration to deal with as best it could, but on the basis of equality of treatment.

The question of adequate facilities has been dealt with in another memorandum. The quota system has been adopted deliberately in order to make "inadequate" facilities function as conveniently as possible in view of the fact that "Z" traffic cannot afford to pay for "adequate" facilities and the remaining traffic is not prepared to do so for them.

It is agreed that the possibility of using all outlets should be - and in fact has been - explored.

The cotton seed referred to, as booked from Mwanza, belonged to last season's crop and moved before this year's Uganda crop was ready. In any case, it moved in small consignments only.

Para. 12.

The possible movement with present facilities from Port Bell to Mwanza is limited to approximately 3,000 tons per month only.

When these facilities disappear through old age, as they must shortly, is this traffic to pay for their replacement?

It will be realised too that traffic in one direction induces a return traffic and imports will in due course return by the same route.

The effect on the Port of Mombasa also must not be lost sight of.

Para. 13.

Some facts have apparently been overlooked. A few of these are:-

- (i) The "Z" rate on cotton seed is, as stated, flat rate, but in fixing that flat rate average distance was taken into consideration and accounts partly for the difference between the rates on cotton seed and on maize.
- (ii) Under quota principles there is now no "out-of-pocket" loss in moving cotton seed or maize and both commodities, as intended pay "something" now towards other overheads.
- (iii) Any reduction in total traffic, increases the unit costs on the remainder.
- (iv) It has frequently been stated that water transport is cheap, but repetition does not necessarily make this statement true. All available figures tend to show that water transport under existing local conditions is not cheaper than rail and certainly is less able to quote "Z" rates. The basis on which Shs. 4/00 has been selected as the cost of moving traffic from Kampala to Mwanza is not understood. On 271 miles such a rate would be under 1.5 cents per ton mile, which cannot possibly cover "out-of-pocket" costs.

- (v) The effect on the Port of Mombasa has been completely ignored. Cotton seed and maize each pay a handling and wharfage charge of Shs. 5/00 per ton. The ships carrying this traffic bring important revenue to the Port and other commercial and business interests are also involved. The tendency too for imports to return over the alternative route has already been mentioned.

Para. 14.

The following points have apparently been lost sight of:-

- (i) The Tanga Line has altogether approximately 120 units only. Not many could be made available for transfer to our system.
- (ii) Hire charges would have to be paid.
- (iii) This Administration has plenty of trucks if they could be paid for.
- (iv) The Tanga Line vehicles are equipped with the vacuum brake system.

SUMMARY:

The following questions now fall to be answered:-

1. Is the quota system to be abandoned?

This can be done partially at present at comparatively small cost by -

- (a) Re-introducing additional crossing stations;
- (b) Re-conditioning and bringing into service some of the wagons now stabled;
- (c) Employing additional staff where necessary.

It will be clear, however, that partial abandonment must lead to eventual full abandonment of this system, as, once industries are given such facilities again, they must be retained.

Full abandonment, of course, means in due course -

- (a) Purchase of rolling stock, including locomotives;
- (b) Increase all round in overhead expenditure.

This additional cost would have to be borne by:-

- (i) The industries concerned,
or
- (ii) Other traffics, by means of a surcharge or increase in the rates.

2. Is the quota system to be retained?

If so -

- (a) Is cotton seed to be given any preference?
- (b) If so, how much and in what form?
- (c) Are the existing principles to be changed in any way?

The question of adequate facilities has been dealt with in another memorandum. The quota system has been adopted deliberately in order to make "inadequate" facilities function as conveniently as possible in view of the fact that "Z" traffic cannot afford to pay for "adequate" facilities and the remaining traffic is not prepared to do so for them.

It is agreed that the possibility of using all outlets should be - and in fact has been - explored.

The cotton seed referred to, as booked from Mwanza, belonged to last season's crop and moved before this year's Uganda crop was ready. In any case, it moved in small consignments only.

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The possible movement with present facilities from Port Bell to Mwanza is limited to approximately 3,000 tons per month only.

When these facilities disappear through old age, as they must shortly, is this traffic to pay for their replacement?

It will be realised too that traffic in one direction induces a return traffic and imports will in due course return by the same route.

The effect on the Port of Mombasa also must not be lost sight of.

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Some facts have apparently been overlooked. A few of these are:-

- (i) The "Z" rate on cotton seed is, as stated, a flat rate, but in fixing that flat rate average distance was taken into consideration and accounts partly for the difference between the rates on cotton seed and on maize.
- (ii) Under quota principles there is now no "out-of-pocket" loss in moving cotton seed or maize and both commodities, as intended pay "something" now towards other overheads.
- (iii) Any reduction in total traffic, increases the unit costs on the remainder.
- (iv) It has frequently been stated that water transport is cheap, but repetition does not necessarily make this statement true. All available figures tend to show that water transport under existing local conditions is not cheaper than rail and certainly is less able to quote "Z" rates. The basis on which Shs. 4/00 has been selected as the cost of moving traffic from Kampala to Mwanza is not understood. On 271 miles such a rate would be under 1.5 cents per ton mile, which cannot possibly cover "out-of-pocket" costs.

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- (c) Employing additional staff where necessary.

It will be clear, however, that partial abandonment must lead to eventual full abandonment of this system, as, once industries are given such facilities again, they must be retained.

Full abandonment, of course, means in due course -

- (a) Purchase of rolling stock, including locomotives;
- (b) Increase all round in overhead expenditure.

This additional cost would have to be borne by:-

- (i) The industries concerned,
or
- (ii) Other traffics, by means of a surcharge or increase in the rates.

- 2. Is the quota system to be retained?

If so -

- (a) Is cotton seed to be given any preference?
- (b) If so, how much and in what form?
- (c) Are the existing principles to be changed in any way?

RECOMMENDATIONS:-

In order to assist Council in their consideration of this important question, the following recommendations are submitted for consideration:-

- (i) That the quota system be strictly maintained.
- (ii) That cotton seed and maize be treated on a basis of equality so far as sharing the burden is concerned.
- (iii) That the present capacity of the Railway for dealing with "Z" traffic be maintained, i.e. 20,000 tons per month of "Z" traffic to 30,000 tons of non-controlled traffic.
- (iv) That the cotton seed industry make suitable provision for storage by means of godowns, shelters private sidings, etc., etc., as has already been done by the maize industry.

It is considered that the above arrangements will enable the greater part of both crops to be exported within a period of 6 months, which is considered reasonable and the most the industries and the general public at large can afford to pay for.

GENERAL MANAGER'S OFFICE
NAIROBI.

4th May, 1936.

MEMORANDUM FOR RAILWAY ADVISORY COUNCIL.

THE CAPACITY OF THE RAILWAY.

In para. 4 of Minute No. 1007, Council recorded the following:-

"While noting the position as explained by the General Manager, the Council considered that the whole question of the future capacity of the Railway Administration's locomotives, rolling stock equipment and running personnel requires examination and asked that the matter should be included in the agenda for the next meeting."

2. As requested, a careful examination of the position has been carried out and the following memorandum is circulated for the information of members.

3. The last review of the capacity of the Railway took place in 1929 and 1930, and, based on the prospects as they appeared at that time and on the then accepted policy of meeting maize and cotton seed requirements to a very large extent, extensive programmes for additional rolling stock were submitted for approval.

4. After much consideration, these programmes were considerably curtailed by Council and the following list of locomotives and wagons was approved and ordered on the dates shown:-

2 Garratt Locomotives	} October, 1929.
5 4-5-0 "	
2 Shunting Tank Locomotives	
115 Covered Goods Bogies	} December, 1929
40 High-sided Bogies	
200 Covered Goods Shorts	
28 Tank Wagons	
10 Brake Vans	
50 4-wheeled Fuel Trucks	
6 Horse Boxes	
4 Shunting Tank Locomotives	April, 1930
80 Covered Goods Bogies	} April, 1930.
2 Brake Van Bogies	
10 Oil Tanks	
20 High-sided Bogies	
6 Water Tanks	
12 Brake Vans 4-wheeled	
50 Covered Goods Bogies	August, 1930
10 Garratt Locomotives	September, 1930

5. The advent of the world-wide trade depression in 1930 and subsequent years completely negated the earlier forecasts of development and, on economic grounds, forced a readjustment of the maize and cotton seed policy in an attempt to retain the very low export rates granted to those two commodities.

6. In consequence of the changed conditions, some 43 locomotives, all of the smaller types - E.B. 1 and E.B. 2 - and 1052 units of wagon stock were stabled in 1931 and 1932. In order to reduce working costs to a minimum most of the rolling stock stabled was in need of heavy repair and considerable further deterioration has, of course, since taken place.

7. At the end of 1935, to meet probable requirements in 1936, instructions were issued to bring back into service 71 covered bogies in reasonable state of repair and requiring therefore a minimum amount of work to be done upon them.

8. In addition, in February of this year, orders were also issued to bring back into service 75 open bogie vehicles (subsequently reduced to 40) for use at the Port, which will help to reduce the turn round time of more valuable covered stock.

9. No locomotives have been brought back into service, but 57 stabled locomotives were written off the books in accordance with Minute 968 of the 12th/13th June, 1935.

STABLED STOCK:

10. The following, therefore, is a complete list of stabled rolling stock at the present time:

Locomotives:

E.B. 1 (These engines are in a service-able condition).

Wagons:

	Vehicles	Units
C.G.B.	303	606
C.C.	3	3
L.S.B.	78	156 x
H.S.B.	40	80
B.W.H.B.	14	28 (16 loaned to Port)
L.S.	152	152
R.T.	77	77
H.S.	1	1
	<hr/> 739	<hr/> 1245

x Excludes 75 vehicles in course of withdrawal for use at Port.

It may be stated that all these vehicles require extensive repair before they can be brought into service.

CAPACITY:-

11. The capacity of the Railway depends broadly on three things:-

- (i) Locomotives and Locomotive Running Staff;
- (ii) Wagons;
- (iii) Capacity to pass trains, depending upon traffic operating staff and trains crews, crossing stations, and station staff.

(1) Locomotives and Locomotive Running Staff:

In 1929, before the new locomotives were ordered, the total capacity of main line locomotives, in terms of tractive effort, was 2,944,500 lbs. at 75% boiler pressure.

With the advent of the new locomotives, but deducting those stabled, the total tractive effort became 2,725,800 lbs, or a decrease of ~~25%~~ 7.4%.

With the improvement in the condition of locomotives and in their more efficient use, it has been found possible to deal easily with 365,309,826 nett ton miles, as against 356,749,957 in 1929, or an increase of 2.4% of work done, notwithstanding a decrease in the tractive effort available.

It may be stated that, with the extension of the caboose system and increasing the train capacity as described later, the present locomotive capacity is capable of dealing with a further increase on present traffic.

With regard to Locomotive Running Staff, by careful attention to training, a reserve of passed firemen has been created, capable of utilising fully all locomotives that can be made available for traffic working.

(ii) Wagon Working:

Similar improvements in operating efficiency have influenced the present wagon position. In 1929, the highest average wagon movement was attained in May, when each wagon in traffic was hauled 43.45 miles per 24 hours. The highest figure for 1935 was reached in March, when each wagon moved 56.42 miles. In consequence, it can now be stated that the wagon position is not the present limiting factor of Railway capacity.

(iii) Train Capacity:

Apart from operating staff, train capacity depends upon crossing stations and distances between stations. Following upon the depression, steps were taken to close every possible station. In consequence, it has been found that the capacity to run further trains depends now not on locomotives nor wagons, but on the number of crossing stations at suitable intervals and in this respect the most heavily worked section between Nairobi and the Coast controls the situation.

The capacity of this section is governed by the longest (in point of time) signalling section, and this is the stretch from Mito Andei to Masongaleni - 77 minutes. Theoretically, a signalling section of this length should permit a total number of 18 trains to be passed each 24 hours, but factors such as engine and train crew working, availability of traffic, varying scheduled speeds of trains, unequal time lengths of other sections, etc., preclude the possibility of attaining theoretical maximum capacity.

In practice, it is found that, after allowing for service trains, not more than ten public traffic trains can be satisfactorily worked, and, as on four occasions each week one path is taken up in each direction by the running of the mail train, the freight train capacity is reduced to four trains per day each way and one extra on each day that the mail is not running.

From actual experience, it can be established that during the export season there is a flow of empty wagon units (consisting principally of oil tanks) to the Coast, amounting to 12 units daily. During the period for which the figures have been taken out the average tare weight of these units was 8 tons. For the same period the average nett load per wagon unit was 9.4 tons. Taking these figures as a basis and allowing 3 units empty at 9 tons each for the brake van and caboose vehicles, a freight service as given in the preceding paragraph would be capable of transporting to the Coast per week a tonnage of:-

28 Garratt loads (1.16% ruling grade loading)	Tons
(52 units/759 tons) at 432.4 tons nett	12,107
3 Mikado loads (1.5 ruling grade loading for mail speed)	
(34 units/504 tons) at 291.4 tons nett	874
Total per week	12,981

NOTE: In this calculation the empty goods units already referred to have been assumed to be included on the Garratt loads.

From these figures it may be concluded that with the signalling facilities provided at present the capacity of the Railway to move tonnage to the Coast is at the rate of 55,661 tons per month of thirty days. It is not, however, considered advisable to regard this figure as one which could be maintained month after month. It makes no allowance for interruption of service through washaways, derailments, etc., nor does it take into account the loss of freight capacity arising from the running of additional passenger trains. For such contingencies a deduction of 10% would be reasonable and, on this assumption, the capacity may be taken as 50,000 tons per 30 day month.

12. With the object of determining what portion of the whole downwards traffic would normally be absorbed by non-controlled traffic, an examination has been made of the monthly tonnages which have been carried for the three record years - 1930, 1933 and 1935 - and from these figures, graphs have been prepared showing:-

- (a) the maximum tonnages;
- (b) the average tonnages

of the principal commodities in each month of the year, the balance of all other non-controlled traffic being included under the heading of "Other Commodities".

13. The highest tonnage of non-controlled traffic recorded in any one month during the three years in question was 23,755 (in March, 1935). In these territories, however, the peak of production for nearly all the principal exports occurs within a

period of three to four months, and, theoretically, there is nothing to prevent the maximum monthly output of commodities occurring in one particular month. If this had happened during the three years under review the maximum monthly demand for transport for non-controlled traffic would have been:-

	<u>1930</u>	<u>1933</u>	<u>1935</u>
	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>
Cotton	4163	11814	9847
Coffee	4665	4445	5695
Sisal	1395	2125	3194
Soda	6657	4669	5536
Sugar	363	2778	2213
Other Commodities	6821	4038	6534
	<u>24064</u>	<u>29869</u>	<u>33019</u>

To these figures should be added the traffic which is taken to Mombasa for local consumption or distribution (other than export). This is approximately 600 per month and bring the total possible non-controlled traffic to 33,619 tons. Making reasonable allowance for the probability of a general increase in traffic, it would appear that the organisation of the Railway to deal with down non-controlled traffic should be of a standard to permit the movement of 40,000 tons per month, while, as indicated in paragraph 11 (iii) the practical maximum capacity of the track facilities now available is 50,000 tons per month.

14. In practice, however, on the present scale of production, the probability of the peak of production of all commodities occurring in any one month is so remote that it can safely be ignored. It may, therefore, be safely stated that the present capacity of the Railway in a downward direction is some 30,000 tons of non-controlled traffic and 20,000 tons of controlled traffic per month and this has been confirmed by our experience during the present season.

15. It will be clear that any reduction in the total uncontrolled traffic releases an equivalent for controlled traffic and the figure quoted above is therefore a minimum. As it is impossible to foresee accurately what fluctuations will occur in non-controlled traffic, it is equally impossible to say exactly what additional tonnage of controlled traffic can be handled each month.

16. As members are aware, the total controlled traffic indicated to the two industries this year has been 20,000 tons per month. In actual practice, it has been found possible to increase this total by over 20% when necessary and in March of this year the total excess was as much as 37.5%. These figures compare very favourably with the tonnages allotted in 1933, which are shown in the following table:-

		<u>Tons</u>
December	1932	15,893
January	1933	11,700
February	1933	14,469
March	1933	10,900
April	1933	13,299
May	1933	15,675
June	1933	14,300
July	1933	15,540
August	1933	14,840
September	1933	15,415
October	1933	12,849
November	1933	<u>15,120</u>
Total		<u>170,000</u>

17. From these figures it will be seen that the tonnage capacity for uncontrolled traffic is ample and is likely to prove so for some years to come. As regards controlled traffic, while the capacity has been increased by over 50% since 1933, the industries concerned would like to see their traffics handled more expeditiously.

18. The economic arguments against meeting their demand need not be repeated, particularly as the main bulk of both crops is being cleared in approximately six months, but it will be interesting to compare the present position as between low-rated and high-rated commodities with the position as illustrated in the Annual Reports for 1930 and 1931. The following table makes the position quite clear:

"A".

44

Y ^{EAR} .	Maize.		Cotton Seed.		Wheat.		Total in millions of ton miles.	Percentage of total public traffic.
	Average rate 2.2 cents per ton mile. Temporarily 1.35 cents.		Average rate 3.08 cents per ton mile.		Average rate 3 cents per ton mile.			
	Tons.	Ton Miles.	Tons.	Ton Miles.	Tons.	Ton Miles.		
1922	19,850	8,935,200	1,520	1,859,700	27	10,150	40.8	Not available.
1923	43,735	20,695,450	10,014	7,390,332	9	8,000	38.1	
1924	59,336	29,074,640	21,155	15,612,390	22	11,400	41.7	
1925	61,238	31,231,380	22,309	16,464,042	29	12,050	47.7	
1926	46,499	24,644,470	35,503	26,245,494	3	1,350	30.3	
1927	89,383	45,160,050	29,957	22,106,260	16	7,200	71.2	
1928	44,648	24,556,400	45,845	33,833,610	6,838	3,077,100	61.4	
1929	40,185	22,101,750	68,069	50,234,922	3,267	1,470,150	70.0	
1930	119,766	55,871,300	35,910	26,501,580	10,700	4,653,700	87.0	
1931	94,315	51,873,250	49,610	36,612,180	3,134	1,410,300	89.3	
1932	34,510	18,960,500	59,482	43,897,716	11	4,950	62.1	
1933	49,598	27,278,900	64,708	62,558,784	-	-	62.1	
1934	26,107	14,358,850	40,432	29,831,436	-	-	62.8	
1935	68,663	35,014,650	55,669	41,060,722	-	-	44.2	
							70.1		22.8

NOTE - A small quantity of Barley and Potatoes move at 3 cents per ton mile.

19. From these figures it will be seen that, while the ton mileage of high-rated commodities has increased, the ton mileage of low-rated commodities has also increased in equal proportions and the relative position is still much the same, though not so high as it was in 1930 and 1931.

20. One further aspect of the matter should be mentioned. During the busy export season the down tonnage always exceeds the up tonnage by a considerable margin. This will be clear from the two tables reproduced below:-

IMPORT TRAFFIC FORWARDED FROM THE COAST.

<u>1935</u>	<u>Tons</u>
January	15,937
February	21,460
March	33,392
April	16,780
May	11,394
June	16,573
July	11,584
August	33,409
September	27,222
October	14,069
November	25,589
December	18,334

Total for the Year 245,743

1936

January	26,396
February	28,675
March	24,214

EXPORT TRAFFIC RECEIVED AT THE COAST.

<u>1935</u>	<u>MAIZE</u>	<u>COTTON</u>	<u>TOTAL OF</u>	<u>OTHER</u>	<u>TOTAL ALL</u>
	<u>Tons</u>	<u>SEED</u>	<u>MAIZE AND</u>	<u>TRAFFIC</u>	<u>TRAFFIC</u>
	<u>Tons</u>	<u>Tons</u>	<u>COTTONSEED</u>	<u>Tons</u>	<u>Tons</u>
			<u>Tons</u>		
January	8,204	1,472	9,676	16,112	25,788
February	14,604	6,819	21,423	21,583	43,006
March	4,469	9,181	13,650	23,755	37,405
April	13,683	10,198	23,881	21,927	45,808
May	8,011	9,196	17,207	21,418	38,625
June	2,084	7,345	9,427	17,536	26,963
July	3,804	5,447	9,251	16,566	25,817
August	402	2,039	2,441	15,325	17,766
September	2,089	680	2,769	20,132	22,901
October	691	1,369	2,060	20,698	22,759
November	882	836	1,718	19,383	21,101
December	4,740	1,089	5,829	22,714	28,543
Total for Year	63,663	55,669	119,332	237,149	356,481
<u>1936</u>					
January	13,130	963	14,093	18,688	32,781
February	17,854	6,400	24,254	24,598	48,852
March	14,445	13,191	27,636	29,472	57,108

21. In practice, the empty running amounts to well over 50% and in many cases over 60%. Any increase in downwards capacity will still further increase empty working in the upward direction.

22. It follows from what has been stated that if the policy of granting rates reductions when justified is not to be seriously interfered with, the cost of working traffic paying direct haulage costs or something very little greater, must still be carefully controlled by the condition printed in the Tariff Book, viz:

"These rates are strictly subject to the condition that no special facilities will be provided and that consignments will be accepted and conveyed only as and when rolling stock and other facilities are available."

23. As a result of this examination, it is clear that there is no immediate justification for an expenditure to increase capacity and further than when an increase in traffic does call for an increase in capacity, it is probable that the first step necessary will be to open further crossing stations between Nairobi and the Coast.

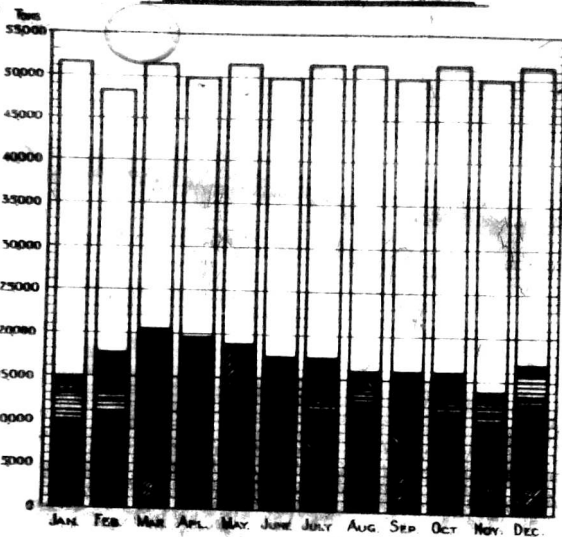
24. In connection with this matter, correspondence with the High Commissioner for Transport re the movement of cotton seed is enclosed for information.

Ref. No. A. 5. 1933.

GENERAL MANAGER'S OFFICE,
NAIROBI.

1933. 1. 1933.

CAPACITY OF THE RAILWAY

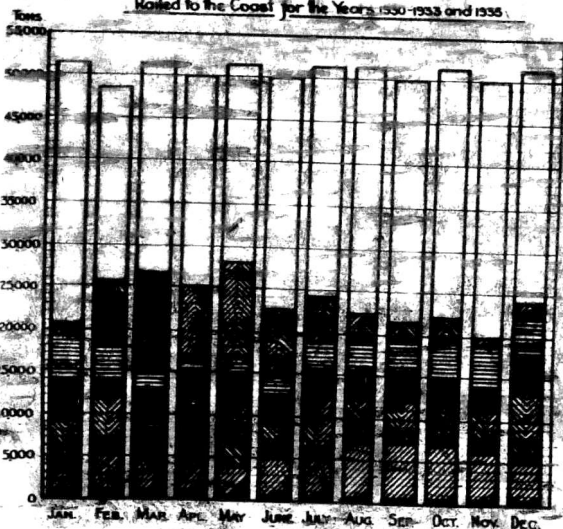


Maximum Capacity 1936

and

Average Monthly Tonnages of Uncontrolled Traffic

Railed to the Coast for the Years 1930-1933 and 1935

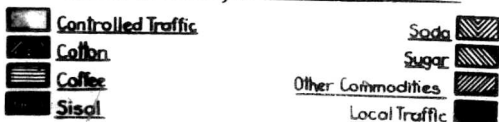


Maximum Capacity 1936

and

Maximum Monthly Tonnages of Uncontrolled Traffic

Railed to the Coast for the Years 1930-1933 and 1935



Ref. No. A.9/55.

29th February, 1936.

THE HIGH COMMISSIONER FOR TRANSPORT.COTTON SEED - RAILAGE FACILITIES.

With reference to Minute 1007 of the last meeting of the Railway Advisory Council and to the telegrams exchanged with the Joint High Commissioner, I have to advise the High Commissioner that I have now completed the investigation into the capacity of the Railway to deal with maize and cotton seed, promised to the Railway Advisory Council.

2. The High Commissioner will remember that the introduction of the quota system for these two commodities was the direct result of the heavy expenditure previously incurred by the Administration in the movement of these two commodities for which a very low revenue return was received and which was largely responsible for the serious financial position of the Administration from 1929 onwards.

3. As a result of the investigation that took place over the next three years, it was finally agreed in 1932 that these two traffics, paying a rate very little above what we termed "direct haulage cost", should be carried strictly subject to the condition that no special facilities would be provided and that consignments would be accepted and conveyed only as and when rolling stock and other facilities were available. On this basis an allotment for twelve months, commencing with December, 1932, and ending with November, 1933, was published, as shown below, giving a total capacity, spread over the full twelve months, for what we have termed "Z" traffic of 120,000 tons:-

		<u>Tons</u>
December	1932	15,893
January	1933	11,700
February	1933	14,460
March	1933	10,900
April	1933	13,299
May	1933	15,675
June	1933	14,300
July	1933	15,540
August	1933	14,840
September	1933	15,415
October	1933	12,849
November	1933	15,120

Total 170,000

This gives an average capacity for traffic of this type of just over 14,000 tons per month.

4. In considering our allocations on the same basis for 1936, in July and August of last year, it was anticipated that the tonnages of maize and cotton seed for export would be

approximately equal. As in previous years, however, we hoped to take advantage of the fact that maize is ready for shipment rather earlier than cotton seed, although market prices are no then usually so favourable as in later months. Every effort therefore, was made, in cooperation with the industry, to expedite the early movement of maize, in order to relieve the congestion of this type of traffic in the interests of both maize and cotton seed during the later months of the year. On this basis the allotments indicated to the industries were as follows:-

Month	Year	MAIZE.	COTTON SEED.
		Tons	Tons.
December	1935	No restriction	-
January	1936	20,000	No restriction
February	1936	15,000	6,000
March	1936	10,000	10,000
April	1936	10,000	10,000
May	1936	10,000	10,000
June	1936	10,000	10,000

5. Unfortunately, owing to abnormally wet weather, it was not possible for the maize industry to make full use of their allotment in January, nor was it possible for the cotton seed industry to take advantage of the unrestricted movement of cotton seed during that month. As a result, on the allotments made it is anticipated that by the end of June, some 67,000 tons of maize will have been exported and 46,000 tons of cotton seed. The final tonnage of maize to be exported is not yet known, but a total for the year, varying from 70,000 to 90,000 tons has been mentioned, while the generally accepted figure for cotton seed is 90,000 tons.

6. Assuming that the total export for maize will not be much more than 70,000 tons, it may be expected that the allotments for cotton seed in July and August can be 20,000 tons, but I was waiting for more definite information before finally giving these figures to the industry. Assuming, however, that these figures stand, it will be seen that, on the present basis, the total crop in each case will have been dealt with in a period of just over six months. In view of the rate charged for the movement of these commodities, it is considered that this is all that can reasonably be expected. I would, however, point out to the High Commissioner that, while the average monthly allotment for "Z" traffic in 1933 was 14,000 tons, the allotment for the present year is 20,000 tons, or even 22,000 tons. In other words, without increasing facilities or expenditure, the capacity of the Railway for moving this type of traffic, by greater operating efficiency, has been increased in three years by approximately 50 per cent.

7. After discussing the present position very fully with my heads of departments, I have come to the conclusion that if no untoward circumstances arise, we shall be able to increase the present allotments to cotton seed by 1,000 to 2,000 tons, as mentioned above. The cotton seed industry may, therefore, anticipate that their allotments during March, April, May and June will be increased, certainly to 11,000 tons, with every possibility of this proving to be 12,000 tons. This improvement in the allotment can be offered without altering in any way the principles which have been laid down by the Railway Advisory

Council and accepted by the High Commissioner in connection with the facilities to be given to this type of traffic. If, however, the cotton seed industry desire to increase their export of cotton seed above the rate mentioned, it will be necessary to incur extra expenditure.

8. The increase possible is limited to a total of 5,000 tons per month for the next four months above the present allotment. If this additional capacity is desired, the following additional expenditure will be incurred and would, therefore, have to be met by the industry:-

Locomotive Department:

Owing to the present-day condition of the locomotives, it is anticipated that the extra mileage can be obtained with the available locomotives. As regards staff, by making full use of passed firemen as drivers, the extra locomotive running staff required to deal with the additional traffic can be covered at a cost of £24 per month.

Rolling Stock:

In December last, in view of the prospects of additional traffic during the year, I gave instructions for the re-introduction into traffic of all the covered goods wagons then stabled, which were reported to be in a fair state of repair and therefore required the minimum of expenditure before they could again be brought into service. As a result, some 140 units are now coming into service, which will be available for helping to deal with the additional traffic. Also, by relieving the open line of certain services at the Port, which will have to be paid for out of Port funds, 40 additional units will be made available. In order to deal with the additional tonnage in excess of the 20,000 tons mentioned in paragraph 7, a further 54 units will, however, have to be taken out of my stabled stock and brought into use. All these vehicles will require heavy repairs, costing approximately £1,500.

9. It will be appreciated by the High Commissioner that none of this expenditure would be necessary for meeting the ordinary traffic requirements of the Administration for the next year or two. On the other hand, general traffic will undoubtedly receive some benefit from this expenditure and I consider, therefore, that £1,000 would be a fair debit against the cotton seed industry. Spread over four months, this gives a monthly expenditure of £250, which, it will be recognised, will be non-recurrent during the next two or three years, should cotton seed again require additional facilities.

10. Running Staff:

It is estimated that additional guards and staff for opening two additional stations will cost £93 per month.

Running Costs:

It is anticipated that some 14 additional trains per month will be necessary to deal with this traffic, resulting in at least 8,000 empty train miles in the return direction. As some empty haulage is always inevitable, it would be fair to debit 6,000 empty train miles to the cotton seed industry. This is estimated to cost £534 per month.

11. These costs may now be summarised as follows:-

Re-conditioning of Rolling Stock ...	£250 per month (non-recurrent)
Additional Staff	£117 per month
Running Costs	£534 per month
Total	£901 per month for 4 months.

This gives a total cost of £3,600 for a total extra tonnage above the present allotment of 20,000 tons.

12. I have also ~~examined~~ examined the possibility of making use of the Tanganyika Railways system in this connection. On enquiry, the Acting General Manager, Tanganyika Railways, tells me that he is prepared to take any cotton seed that we can hand to him loaded in trucks at Mwanza at a rate of Shs. 22/40 per short ton. This is equivalent to Shs. 22/75 per long ton, which is the present rate for the export of cotton seed from Uganda. As this Administration would have to be reimbursed the cost of transport from, say, Kampala and Bukakata to Mwanza, and as this cost could hardly be less than the proportion of the rate now received for cotton seed from Mwanza to Kilindini, i.e. approximately Shs. 6/00 out of Shs. 22/75, it will be clear that the extra cost to the industry for cotton seed shipped in this direction would be not less than Shs. 6/00 plus the additional handling charges that will be necessary at Port Bell and at Mwanza to cover the loading of trucks. As Tanganyika Railway trucks are some distance from the pier, these costs would not be negligible and may amount to Shs. 2/00 per ton or even more. In addition, this Administration would be called upon to re-commission the S.S. "Nyanza", at a cost of over £100. The capacity of the "Nyanza" to deliver cotton seed at Mwanza would be limited to a total of 3,000 tons per month.

In the circumstances, I think the High Commissioner will agree that further consideration of this aspect of the matter is not required.

13. The above, I hope, makes the position sufficiently clear to enable the Uganda authorities to make a decision with regard to the alternatives before them. Summarised, these are:-

- (i) An increase in the quota of 1,000 tons and possibly 2,000 tons without extra charge;
- (ii) An increase of 5,000 tons in the present allotments at a cost of £900 per month for four months, or a total of £3,600.

14. Steps have already been taken to expedite the movement of traffic in every possible direction, which I hope will bring about the realisation of the first alternative. If, however, the second alternative is to be adopted, early advice of Uganda's decision is essential, in order that the necessary steps can be taken to repair the vehicles required and to engage staff.

15. I would recommend, therefore, that a copy of this report be sent to the Joint High Commissioner in Uganda, with the request that a telegram should be sent to me as soon as a decision has been reached.

(Signed) G.D. RHODES.

GENERAL MANAGER.