

1932.

*Kenya.*

C0533/421

No. 18057/1



SUBJECT

*Financial + Economic Position.*

*Investigation by Special Commissioner,  
Gerd Moyné.*

*(Report under separate cover,  
(+ Appendices))*

Previous

*Main file*

Subsequent

*Sub file 2 (Financing +  
publishing report)*

*Sub file 3 (Base cutting)*

1 Lord Moyne (Reply to the Secy) — 28/4/32 2

Sir C. Bottomley.

Please see the attached letter from Lord Moyne to the Secretary of State. The Secretary of State would like to have the views of the Department on this letter some time before he sees Lord Moyne, which will probably be in about ten days time. I think a brief summary showing what instructions, if any, we have issued to the Governors of Kenya in the last ten years on the question of the incidence of taxation ~~should~~ *would* ~~be interesting~~ *be interesting*

*Secy's letter  
L.S.*

*P.H.G.*  
10.5.32.

*Mr. Allen*

*10.5.32*

*In his hand*

*J.H. Allen  
145732*

Sec. Schuler

Dept. of Agriculture

(See No 1A)

[Notes for ... 2d 19, 1931]

My opinion would follow the  
attached letter ...  
in the ... of ...  
... of ...  
... of both ...  
... of ...

PN

- (a) ...
- (b) ...
- (c) ...
- (d) ...
- (e) ...
- (f) ...
- (g) ...
- (h) ...
- (i) ...
- (j) ...
- (k) ...
- (l) ...
- (m) ...
- (n) ...
- (o) ...
- (p) ...
- (q) ...
- (r) ...
- (s) ...
- (t) ...
- (u) ...
- (v) ...
- (w) ...
- (x) ...
- (y) ...
- (z) ...

\* Pay of State  
you may like to  
look at this when you  
have a moment?  
D.H. 6  
1532

W.S. 13.5.32

Sir S. Wilson

You called for comments on  
Lord Moyne's letter to the S.W. of  
28 April, especially on his remark  
about the uniformity of C.O. despatches.

I have already met on a note on  
that point. Mr. Allen ~~has~~  
gone through his general comments  
(attached) with me, and I  
have nothing to add (especially  
as Lord Moyne's report is now in)  
except to say that money is scarce.

\* One copy with the printer's  
other with the S. of S. Proofs are in on  
Tuesday.

W.C.A.  
18.5.32.

Dr. Boyd.

Sec of State should see this  
before he sees Lord Moyne.

W.C.A.  
18.5.32

Copy attached  
No. 1.

(See No 1.B.)

Sri Swaminathan

Original observations on Lord  
Mayne's letter will follow: the  
attached deals with his reference  
to the similarity of C.D. dispatches  
sent by different Secretaries of  
State. You will see that in some  
one of it rather well.

The aster do not necessarily go back  
to 1922 Lord Mayne may have  
chosen that date as being (approximately)  
the date of both the stopping of  
Income Tax and the creation of Native  
Trust Funds

You will realize, also, a long  
gap 1925-30 In that period

(a) There was much statistical  
effort as to that the value  
invalued paid and what to get

(b) The four years 1927-1930 were  
years of political distraction  
and some union &

(c) The Governor was much  
occupied with the tributes  
and, inter alia, raised the  
question of putting off the  
unprofitable portions of Kenya  
and handing them over to  
the Indian Government.

(See No. 1A.)

[Return from Swaminathan  
#27.  
Ed  
19/1/52]

PN

\*  
X Dept of State  
You may like to  
look at this - when you  
have a moment?  
D.H.K.  
1952

152/13532

Si. S. Wilson

You called for comments on  
Lord Moyne's letter<sup>x</sup> to the S. W. of  
28 April, especially on his remark  
about the uniformity of C.O. despatches.

copy attached  
No. 1

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(See No 1.B.)

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Dr. Boyd.

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W.C.S.  
18.5.32

2 Sir J. Byrne — (Pch, To the Regt) — 7/5/32

3 Lord Moyné — (Pch, To the Regt) — 18/5/32

Microcopy removed  
retained in R299

4 Lord Moyné's Report.  
(Proof Copy)

6 copies received:  
1 to Sir C. D. Stoddart  
1 " " Mr Allen  
3 " " Mr Innes  
1 " " file

Sir S. Wilson

I have read the Report "against the clock", and I am afraid the clock has won. I have made a few pencil notes, but research into water has been impossible (I imagine you would understand) I may say, generally, that this year's Estimates, even read with keen eyes from the point of view of cost increasing the Government difficulties.

This is the sort of report that fills me with envy and admiration. I am sufficiently friendly minded to dislike a proposal ("No. 10. Re-arrangement") which by historical a kind of general revenue already pledged - is scarcely for 10 years, but we found, when the question arose 10 years ago, a way of commencing ourselves that there was no impropriety, perhaps we can do it again.

P.L. see Mr Allen's view by the London notes about publication and income tax enquiry. On the latter, I had written to Mr. De Macgovern, but I think that he should have written to me regarding it.

be necessary?

But I am quite certain  
that there will not in any  
case be money enough for  
all we should like to do. Income  
Tax will have to be laid in  
hand with economy - on the  
lines of the Committee  
suggested in Sir J. Byrnes'  
letter of May 7<sup>th</sup>.

W.C.B.  
21.5.32.

No 2

On page 3 of his letter of the 7th May Sir  
Joseph Byrne asks for a cable intimating whether  
the S of S agrees to the proposals regarding the  
suggested Economy Committee. It is understood  
that the pencilled sheet behind that letter  
represents Lord Moyné's views.

The Moyné Report will not be published in  
Kenya before the 20th June. If the Governor  
wishes to publish the formation and terms of  
reference of his Economy Committee in advance of  
the Moyné Report it will clearly be desirable  
for these terms of reference to refer to the  
Native Betterment Fund. This point was yesterday  
put to Lord Moyné through the Secretary and  
he agreed to the proposal.

telegram which is now submitted for consen.

27/5

Mr. A. C. C.

27/5/32

W.C.B.  
27.5.32.

Secy of State

(through Sir R. Hamilton)

I think we might suggest (as  
is done in draft) the Governor  
presiding himself over the  
Committee.

S.H.B.

27.5.32

W.C.B.

27.5.32

As per the amended. I am sure  
it will be much simpler if  
affair can be held up till Lord  
Moyné's report is published

W.C.B.

27/5



5. •• fastel P&P 27 of May 1932.

Removed.  
CP retained  
R297

6. Report — 1st Revise.

7. Notes by Major Ambrose Hobson  
relating to the Report.

8. Lord Dunsany (P&P to Sept - 1932) 7

~~unintentionally~~  
B. F. 142. will be subject to  
revision of S. 142 on Estimates  
(1) Quia amount. That will  
be fixed & 142. will be subject  
to variation  
(2) Quia method of distribution  
This obviously should be in  
direction of <sup>Government</sup> ~~Government~~ <sup>Char</sup>

See of state

You will see that para  
71 already makes this quite  
char.

9.11.6

09.5.32

9. ~~10/1/32~~ (Confirmation of Moyné)  
(Deletion of paragraph 14.)  
To Gov. Tel. P & P. — 10/1/32

Drafts on  
Sub file  
2.  
Nos 21, 22  
7.

To Gov. Tel. P & P. — 11/4/32  
~~To Gov. Tel. P & P. — 14/6/32~~

10 To Gov. Syd. Tel. P. & P. 14 June '32  
(Dft. on sub. file (2) - (Publication) - Copy  
Hereon for record)

11 To Gov. Tel. P. & P. 20 June '32.

To Gov. Tel. P. & P. cons. 22 June '32 <sup>25/6/32</sup>

DESTROYED UNDER STATUTE

13. Gov. Byrne Tel. P. & P. .... 23rd. June.  
States that the unofficial members of the Executive C'ab  
cannot be collected before July 1st. Urges that he  
should be committed finally as position is ~~is~~  
very delicate.

14 To Gov. Tel. P. & P. — 24 June.

15. To Kenya — Tel. P & P — 27/6/32  
In reply to No 14, states personal  
views on the Report.

This telegram seems to indicate  
sufficiently clearly where the Governor stands.  
It is natural that he should not commit himself  
as to details, but he supports Lord Moyné's main  
proposals ~~and~~ principle.

As regards his qualification in the case  
of paras. 103-106, which deal with the question of  
the division of financial responsibility and  
the

(Copy  
herewith)  
A

(Copy herewith)

(Copy)

(Copy herewith)  
B

the position of the Treasurer, it may be pointed  
out that in his telegram of the 22nd June the  
Governor said that Mr. Moore, the Colonial Secretary,  
had pointed out inter alia that proposals in  
regard to the Chief Native Commissioner definitely  
"derogate from present position of Colonial Secretary  
whose responsibility for native services may be  
still further curtailed under Loyne's Native  
Betterment Fund proposal."

~~understand that~~ <sup>the</sup> ~~circ~~ <sup>definitely</sup> ~~regarding~~  
circular ~~concerning~~ regarding  
financial control and the position of Treasurers,  
~~only left by the mail of the 16th June will not~~  
~~be available until the 20th June and will not be~~  
~~at hand when reached by the Secretary.~~

In his letter to the Secretary of State  
of the 7th May, No.2 on this file, Sir J. Byrne  
said that it would be "far easier for me if  
definite instructions to introduce such a tax (i.e.  
income tax) came directly from you, with a further  
instruction that I was if necessary to use my  
official majority". In accordance with the <sup>main</sup> ~~question~~  
in the <sup>above</sup> letter, Mr. <sup>Gregor</sup> has made enquiries  
in regard to income tax, and his memorandum reporting  
the result (copies of which he <sup>has</sup> ~~is~~ taking <sup>back</sup> ~~back~~ with  
him to the Colony) is attached as 14A on this file.

It may be also pointed out that in the  
S. of S.'s telegram of the 10th June, the S. of S.  
informed the Gov. that if he received assurances  
that the facts of the report are correct, and its  
main

main conclusions endorsed by the Governor, he would be prepared to give the Governor his full support in carrying it out and to take the initiative where necessary.

Further, in his telegram of the 24th June the S. of S. has already indicated the line he contemplated taking <sup>in his telegram</sup> by saying "But if I know that you want to carry out Moyné's recommendations generally, then I can commend Moyné's report as thorough and complete, and as appearing to me to be fair and reasonable on the whole. At the same time till I have your considered views it would be improper to pronounce final judgment".

The telegraphic correspondence referred to has been private and personal and instructions are required whether (1) an open telegram, which he may publish, should be sent to the Governor on say Friday <sup>evening</sup> ~~afternoon~~, briefly indicating the line which the S. of S. takes in the debate.

(2) whether further consideration of Moyné's proposals should await a considered statement from the Governor by despatch, and (3) <sup>whether</sup> if so at what stage the S. of S. proposes to give the Governor definite instructions in regard to income tax.

(It is a question whether, if such instructions are given in a public ~~telegram~~. It is desirable for the S. of S. to include in it a definite instruction to use the official majority if necessary. That instruction might, of course

No. 14 on this file. H. C. 11

9  
be put in a separate Confidential despatch for the Government <sup>as</sup> to make use of if necessity arises. On the other hand, from the Governor's letter to which I have referred above one would imagine that he would prefer to have a complete public instruction, both as to the introduction of the tax and the use of the official majority.)

Yes.  
A.C.L.

W. M. C.

29/6/32

Mr. S. Wilson

I should say that the answer to (1) is certainly 'Yes', and also to (2) - in which case (3) <sup>could</sup> ~~is not~~ ~~arise~~ ~~until~~ ~~the~~ ~~Gov's~~ ~~resp.~~ ~~is~~ ~~received~~. <sup>after all,</sup> it may be that income tax will be accepted by the municipalities as inevitable, & it is not seem safer to wait now what line they do take: if instructions to impose income tax were not sent, the very fact

that drawing so  
 issued a flat before  
 unofficial members  
 had expressed their  
 views would —  
 unless they had  
 entirely changed since  
 last August — inform  
 the unofficial spokesmen  
 & community generally.

Recd  
 29.6.52

Rec of State  
 (through Sec R. Hamilton)

I agree with Mr  
 Parkinson. I think we should  
 certainly tell the Governor in  
 an open telegram the line you  
 take in the debate.

I think we must await the  
 views of the Governor in a despatch  
 before you come to final  
 decisions on the  
 in the Report.

Logie

Yes. But action is followed any possible  
 in the House is soon as possible.

P.V.L.  
 30/6

16. Tel 138 to Governor Kenya Cas 2/7/32  
 for Payne Tel 144 — 29 June  
 Regs. copies of Hansard, Moyne Report  
 Debate by his mail

DESTROYED UNDER STATUTE

17. Air Mail 17th July of Hansard - 1st July 32  
 To Gov 1494 (w/6 C's Hansard) 6 JUL 1932  
 (17 answered)

DESTROYED UNDER STATUTE

hws

19. Extract from letter - Secy of State to  
 G. S. Wilson 4/10/32

? P. V. L.  
 15. Parkinson  
 2/8/32

Law on ... in ...

...  
 ...  
 ...  
 ...

Sir

Brought up vide your minute overleaf

Robt  
21/9

S. S. Wilson

Nº 19. 3a

As Mr. Hoyle tells me that you  
replied to Sir J. Byng before we  
heard from the S. of S. You may  
of course have written again since,  
but I do not think that any  
express assurance of the  
S. of S's support is really  
necessary. The arrangements  
for J. T. in all three  
departments are enough  
to show the association of the  
S. of S. with the railway.

Yr. truly  
W. S.  
22.9.32

I agree. In writing to Sir  
J. Byng, I told him that I should  
to do of S would not give  
way on the question of  
T. & C.

*[Signature]*

20. Trans-Nzora Political Assoc. \_\_\_\_\_ 9. Nov '32

Trans. for comov. a criticism of Lord Wynnes report

It seems unnecessary to  
analyse in detail the statements  
in the Central Survey Series  
that the Joint deputation has  
had the opportunity of raising  
any question. It is of  
interest however to note that  
the Trans-Nzora's claim that  
90% of the receipts of the Post  
Office - a self-balancing Dept.  
should be placed to non-revenue  
accounts - though they are  
silent as to shouldering the a  
similar proportion of the Railway  
Deficit.

As the document has been  
forwarded it seems unnecessary  
to take the Survey back on  
S. of S. behalf

Yr. truly

M. S. P. [Signature]  
5/12/32

If, as seems possible, a question is  
raised in the House, the reply would presumably  
say that Sir J. Byng is not prepared to discuss a  
document on which he has not received the  
Council's consent.

*[Signature]*

\*  
A not very impressive piece of speaking  
pleading. I doubt very much if it will  
be of a lasting value as a result  
of distribution. I assume the Dept's  
not called upon to go into this in  
detail.

L. H. Allen

6/17/32

\* Bearing in mind the reaction of  
Lord Moyne's report, I do not expect  
any success.

Mr. [unclear]

✓ We cannot deal with this  
stupidly without the Governor's  
comments, nor do I think we  
need.

But if the S. of. agrees I  
think you might send a  
single acknowledgment: the  
 pamphlet is temporarily voided  
and its writer's position deserves  
sympathy.

G. B.

6.12.32.

I have sent an acknowledgment

E. B. [unclear]

[unclear]

NO [unclear]

21 of A. Walker's.

12  
States that the Moyne Report has been examined &  
encloses a copy of notes of criticism on the Report.

We had already suspected that  
the Trans-NZoria farmers had approached  
the matter from an un-economic point of  
view but it now appears that Lord Moyne  
had also done so.

~~It is possible to be better so  
state, the matter has been placed in~~

~~the~~ The position is that the general  
principles of Lord Moyne's report  
concerning the general aspect of the  
South of Kenya side 16 and the  
S. of S. has endorsed this view  
(Column 2204 of the Hansard etc. 14/18)

There may be details in which he  
cannot be followed - he accepted a  
cost of 2 shillings per acre as a basis  
of betterment charges not to be charged  
to betterment fund).

At the same time it is  
most undesirable that any criticism  
should emanate from any quarter  
Depth. If this note is intended  
for circulation - as appears from  
the last sentence of the opening letter  
and the punctuation sentence of  
the note - it seems in fact to  
be a step to prevent this.

I have not this  
[unclear] as  
[unclear]

and as we say that

The notes should not be comminuted  
being not within the scope of  
the job of Kanga.  
and with so (Sir J. Dyer  
informing him that no serious  
action was paid to the note of 20  
but that the note of 21 has been  
revised probably and that it appears  
to be ~~unsuitable~~ for communication  
to any of the general public.

H.S. Pons & Co  
14/12/32

The Walter has started on his journey back.  
I think we can assume that no publicity  
will be given to his memo. without  
the consensus of Govt.

? Publicity

H.S. Pons & Co  
14/12

It is hard to know in Chatterley  
might like to dance at his.  
I agree that no action is  
necessary.

H.S. Pons & Co

Zone. Quite interesting, but I think to  
is not a death sentence

Publicity

21.12.32

Mr. Cristman

A general despatch on the report has not  
yet been received from the Governor in reply to No 16.

? any action need

H.S. Pons & Co  
17.1.33  
Reg. 297.

No action as regards the Mozambique Report in  
general seems to be necessary at present.  
The following items with which  
the Report deals are in the agenda of  
the Govt. Governor's Conference: - Native  
Taxation, Customs Duties, Responsibility  
of Native Administration, Income Tax, and  
will ~~be~~ be dealt with in separate papers.  
Railway Rates is bound up with the  
Gold Report also due for discussion  
at the Governor's Conference.

This leaves a few minor items some  
of which such as the suspension of  
Education affect the substance - and  
the major items of the Native Bill of Rights  
which is being dealt with separately.  
? This paper should be brought up  
in say 3 months for a winding up despatch  
when the points as regards Income Tax  
and the Native Bill of Rights will be cleared.

H.S. Pons & Co  
17/2/33

I have spoken to Mr. Freeston.  
 Action on the two main constructive  
 recommendations in Lord Moyn's Report,  
 i.e. Income Tax and Native Betterment Fund,  
 is well in hand, and Mr. Freeston agrees  
 that no further action need be taken on this  
 file at present. It would be well, however,  
 if the file could be brought up again at the  
 beginning of May to review the position.

29/4

J. Geary  
 3/2/33

at once

28 London Chamber of Commerce \_\_\_\_\_ 29 March '33.  
 States E.A. Stern. arrangement with ...  
 had Moyn's Report dealing with the functions of the  
 Treasury of Kenya.

It seems unnecessary to  
 reply to this statement of opinion  
 seeing that the S.G.S. has already  
 indicated in the above documents  
 that he is in general agreement  
 with the general policy proposed  
 by Lord Moyn's (see ...  
 at 17A columns 205-206).

The Chairman.  
 Brought up under minute of 3<sup>rd</sup> February 1933

21<sup>st</sup> 4.5.33  
 Reg. 297.

In view of recent developments as  
 regards Income Tax and of the position  
 in respect of the Native Betterment Fund  
 it is a little early to review the  
 position. 1<sup>st</sup> 3<sup>rd</sup> 3 months hence

H.S. Crossman  
 6/5/33

I think we can put this by

J. Geary  
 5/5

but it's useful for reference  
 12.5. at once

(C)



27/15

**COPY.**

THE LONDON CHAMBER OF COMMERCE  
(Incorporated)  
1, 2 & 3, OXFORD COURT,  
& 97, CANNON STREET,  
LONDON, E.C.4.

ARA/DC.

29th March, 1933.

Sir,

At the last meeting of the East African Section of this Chamber, the recommendations contained in recently issued Reports on East Africa again came under review, when the members directed me to write you on the following points:-

Lord Moyne's Report

In paragraph 103 of this Report, Lord Moyne deals with the functions of the Treasurer of Kenya Colony, and suggests that the Treasurer should be regarded as the Financial Adviser to the Government. I am to say that the Section are in agreement with this recommendation.

Sir Sydney Arncliffe-Smith's Report

With regard to the Customs Agreement between Kenya, Uganda and Tanganyika, the Section, being strongly opposed to the setting up of any trade barriers between the East African group of countries, trusts that the existing arrangements for the free interchange of goods may not be disturbed. In this connection the Section have noted with interest that, according to reports, the Governors are against cancelling the existing Agreement.

As

The Rt. Hon. Sir Philip Cunliffe-Lister, G.B.E., M.C., M.P.,  
Secretary of State,  
The Colonial Office,  
Buckingham Street,  
W.1.

As regards the recommendations dealing with "Length of Tour and Passages", the Section's view is that not only does the annual expenditure in this direction constitute a heavy burden on the Territory, but that the standard of travel set by Government is such as to affect the general standard, which has to be given to employees of commercial undertakings. In some cases it is apparent that two standards must exist, one for the official, and another for the unofficial element, and this, in the opinion of the Section, is most undesirable from the point of view of all concerned. They therefore support the recommendations of Sir Sydney Armitage-Smith on this question.

The Section further desire to record their approval of the submission that the Railway estimates should be subjected to the same criticism and control by the Chief Secretary as those of any other Department. It would be appreciated if an indication could be given as to whether it is proposed to accept and act upon this recommendation.

Mr. Roger Gibb's Report.

In paragraph 25 of this Report, the proposal is made that a London Board should be set up, following the suggested abolition of the post of High Commissioner for Transport. The Section wish me to say that, in their view, no case has been made out for the usefulness of such a Board, and they would prefer to see a closer liaison between local users and the Railway authorities. It is also respectfully desired to submit the suggestion that, in future, consultation with the London commercial interests

interests should take place before any changes affecting trade are finally decided upon.

The Section have observed that in paragraph 183, Mr. Roger Gibb records that it is part of the duties of the Railway staff to maintain very close contact with their customers, and be easily approachable on all occasions. The Section cordially endorse this view, and regret that in the past there has not been sufficient contact between the Railway authorities on the one hand, and the commercial community and general public, on the other.

The time at the disposal of the Section has not permitted consideration of the very large number of matters dealt with in these Reports, but they hope to take them up again at a future meeting. I am therefore to say that it may be the wish of the members to communicate with you again in regard to them at a later date.

I have, etc.

(Sgd.) A. de V. LEIGH.

Secretary.

I am definitely booked for  
Tuesday next 8.15am for my  
return flight.

Wessessan  
9. Sheatham Hill

~~RE~~  
R 810

Dear Aclenon

I've been before leaving. Dec. you looks  
had a number of problems over the house  
report. We had already recommended it for  
our own Departmental use & we do not  
think in order to look ahead of our  
Engineers.

I do not know whether the house  
report is a sacred & untouchable document  
in the Colonial office, but it has occurred to  
me that some of the problems dealt with in our  
note might help you. It is not an official  
document & if it does not interest anyone will you

return it to me. If it is of use & we can be  
forgiven for daring to criticize such an illustrious  
Commissioner I can show the copy. It does  
show how much the department is advised behind  
the scenes in Range  
Yours sincerely  
Abatt

THE TRANS NIOZIA FARMERS' ASSOCIATION  
 CRITICISM OF  
 LORD MOYNESS REPORT.

---

In order efficiently to analyse the critical survey of the Trans Niozia Farmers Association on Lord Moyness's Report, it is necessary to preface the analysis with certain comments on the Report itself.

At the outset it appears necessary to point out that Lord Moyness adds nothing to our knowledge <sup>of</sup> solution for the economic problems of Kenya. This was to be expected. He was sent out in the position of a critic to deal with certain aspects of taxation in special relation to the Native and Non-native communities. All through the Report Lord Moyness appears to be divided between (a) the desire to adhere to generally accepted economic principles, and (b) to introduce an expenditure budget on a communal basis - a policy which in my opinion would deal a disastrous blow to the future unity of the peoples of the Colony.

Except in those paragraphs in which Lord Moyness states that he finds little to criticise, there is distinct evidence of conflicting Native and Non-native interests. It appears to me that most of our difficulties arise from the tendency to interpret native wealth in terms of European standards and apply European taxation methods to secure an adequate contribution to Revenue from the native. This tendency is specially difficult to avoid unless considerable experience of the native outlook on life has been previously acquired. Had Lord Moyness recognized this clearly he would surely have emphasized more strongly the

necessity for intensive development in the native reserves and a careful examination of their potentialities for production and omitted all reference to communal expenditure. Every effort should, I submit, ~~be~~ toward non-racial contributions to Revenue for the general advancement of the Colony.

*See para 10 - 11  
Kilgore  
1972*

It may be argued that the racial question had already been opened by the investigation into comparative racial contributions to Revenue. In this connection reference should be made to paragraph 30 - page 8 - of Memoir No. 2.

The original native tax was paid in kind or service. When it is required to convert this into European equivalents the native must be given greater facilities for marketing his produce, or for working for non-natives for adequate wages. A large proportion already enjoy the latter facility but much remains to be done in fostering native production in the reserves before his wealth can be realized more effectively in European currency.

Again, many references are made by Lord Moyne to the poverty of the native. Poverty is, after all, relative, and while the native may be poor if his riches are measured in terms of bank balances, his actual material wealth, when measured in terms of his wants and requirements is probably in excess of that of the majority of Europeans.

*See para 10 - 11  
Kilgore  
1972*

Bearing these considerations in mind, I propose to place in parallel these sections which appear to me to embody accepted economic principles with those which show evidence of the conflicting interests to which reference has been made above.

- 3 -

Extracts from the Report embodying statements of  
various members of the Commission.

- Page 6. "The hut tax, unlike the poll tax, is a form of property tax, and, being levied according to the number of huts owned by the tax payer, varies, to some extent, with the ability to pay."
- Page 8. "....I am of opinion that this system of taxation is no longer satisfactory and should be transformed or replaced as soon as possible. Owing to the increase of nomadism the graduation of the tax according to the means is becoming less and less effective, and as the natives advance in civilisation its defects are becoming obvious."
- Page 11. "All things considered, I am of opinion that the present amount of direct native taxation could be collected without hardship if the incidence of taxation were transformed so as to vary according to taxable ability."
- Page 12. "....in view of the great variations in wealth as between individuals, the danger of relying on average figures becomes apparent."
- Page 16. "....the only common principle that need be considered is that both should be based on reasonably equivalent sacrifice."
- Page 18. "....to secure adequate differentiation between Districts according to their taxable capacity and between individuals according to their relative wealth."
- Page 25.  
(para. 44) "Expenditure should be based on the general interest.  
Any economic measure which tends to promote the disintegration of the community, believing that the material interests of the constituent elements are complementary, and that every attempt to separate them into watertight compartments would be against the best interests of all of them."
- Page 26.  
(para. 45) "Contrasts between racial standards of life have made the measure of equality of sacrifice in taxation even more difficult and practical application than in Europe."
- Page 27.  
(para. 50) "An exact balance of contributions and benefits on a community basis acceptable from all points of view is unobtainable."
- Page 29.  
(para. 75) "....I am convinced that it would not be desirable merely to give back to each area a proportion of the taxes there raised."
- Page 31.  
(para. 77) "I am satisfied that it is not fair to give back to such poor districts so small a proportion of the taxation which they raise."
- Page 32. "An apportionment of Revenue and Expenditure on an equal basis between the communities is impossible to obtain ...with any degree of accuracy."

Extracts from the Report evidencing conflicting views  
on the position of the Native and Non-native communities.

Page 25.

"Though educational facilities are gradually being extended for the African population, to provide these on Non-native standards would cost immeasurably beyond what could possibly be paid at present by the natives themselves or what it would be fair to ask from the Non-native community."

Page 26.  
(para. 47)

"By 1911, apart from contributions to Customs Duties, the native population was contributing no less than 37½% of the total revenue . . . of direct taxation. Considering the services provided in return, it is evident that the natives have long paid an ample contribution towards the general revenues of the Colony."

Page 26.  
(para. 47)

"Judgment as to whether Europeans have been contributing a fair proportion of the cost of the indivisible or Colonial services must largely depend on opinion as to how far these services are of equal benefit to all races, and how far they have been developed primarily for Non-native benefit."

Page 27.  
(para. 58)

"As development takes place, however, the yield of native taxation will show a natural increase, and it is just that a certain fixed proportion of the present yield of tax together with a share of any future increments should be devoted to services for native betterment."

(para. 60)

"The problem is to find some form of guarantee that the vital services of native development which are the main justification for the heavy contribution made by the native to public taxation from his slender means shall not be subject to recurrent cuts."

Page 28.

"I, therefore, recommend the alternative method of making a statutory body responsible under the Governor as Chairman for one half of the proceeds of direct native taxation."



In examining further the Report, the same divisions of the subject matter adopted by Lord Moyne will be followed:-

Report by the Financial Commissioner,

Lord Moyne.

Section II. Adjustment of Relations between Communities.

No comment is required on this section as no new contribution to the question has been made by Lord Moyne.

Section III. Contributions to Taxation.

Lord Moyne merely accepts the statistics already published by the Statistical Department and finds no criticism to offer.

Section IV. Native Taxation.

With reference to this Section of the Report, it will be of assistance if certain general principles which appear to underly taxation in all countries, are considered first.

General Principles of Taxation. It is generally recognised as desirable that all taxation should be regulated according to the "ability to pay" principle, although this is often interpreted in various ways. By "taxable capacity" is meant the maximum amount which the citizens of a country can be expected to contribute towards public revenue without dislocating the economic organisation or widely interfering with industrial development. With certain modifications, the four canons of taxation, as given by Adam Smith, still hold good in modern times. These are :-

- (i) Subjects should contribute to the support of their Government according to their abilities.
- (ii) The tax should be certain, and not arbitrary in any degree.
- (iii) It should be conveniently levied - with a minimum cost of collection.
- (iv) The tax should take nothing more from the people than what it puts into the Treasury (i.e. the incidence of the tax must not be greater than the tax itself.)

Any system of taxation should maximise social advantage. It should not harm production, and, if possible, should improve distribution of wealth (assuming that improvement implies greater equality of distribution.)

The first canon requires some further development. It is always difficult to trace the incidence of taxation, and even when the object is merely to raise revenue, other effects invariably follow. The conception of "equal sacrifice" (implying that the direct real burden for all classes should be the same) now appears to be giving place to the more modern principle of "proportional sacrifice", which provides that the direct burden of taxation should be proportionate to the economic welfare produced by the income subject to taxation.

In the latter case we have the concept of "Marginal Utility" - unknown to Adam Smith; the richer man should suffer a bigger sacrifice on the grounds that a larger income brings increased benefit.

An application of the doctrine of proportionate sacrifice may be seen in the steeply progressive income tax, inheritance taxes, and taxes on property which have been imposed of recent years. The principle of progression applies, of course, to the total burden of taxation, and not necessarily to individual taxes.

Application to Europe. Bearing the above remarks in mind, it is undesirable to compare native and European contributions towards taxation as a certain percentage of income, as this takes no account of the fact that £5 of a poor man's earnings are worth more to him than £5 of a rich man's income. Individuals should be taxed in proportion to their abilities for the benefit of the community as a whole.

Comparisons between Native and European taxation as such lead to false conclusions, and as stated in Appendix II to the Report: "It may be assumed that a wealthy Indian or Native of Africa will contribute to Revenue . . . in the proportion in which his needs increase in exactly the same manner as a wealthy European. Lord Moyne apparently agrees with this.

Page 16.  
(para. 28.)

Taxable Capacity Lord Moyne's attack of this question appears to be made from an uneconomic point of view. A comparison between the taxable capacity of Natives and Europeans can only be considered valid in so far as we may assume each class to represent a different non-competing economic group. Rapidly changing conditions in the nature of the population at the present time appear to be tending towards:-

- (1) A revision of the conviction that the native is a poor man, and the European a wealthy one, from a European point of view, and;
- (2) A gradual change in the native's own conception and standard of wealth, as his requirements increase in number and variety.

Nevertheless, the bulk of the native population of Kenya is poor according to European estimates of wealth, and its taxable capacity in European currency small.

As a rule the poorer native derives his income from (a) wages or (b) receipts from agriculture or pastoral produce.

Wages fluctuate between their upper and lower limits according to the relative bargaining strength of the parties. The upper limit of wages is determined by demand for labour and the productivity of that labour, the lower limit by the supply conditions - the number of labourers and the standard of living. The poorer native wage will be extremely

low, as:-

(1) He is an "unskilled" labourer, and his work is not very productive.

(2) In times of depression the demand for lower grades of labour is particularly affected

(3) Where there is a large supply of labour, a high price for that labour cannot be demanded.

(4) The Native's level of subsistence is very low, and wages frequently sink below this level where he cannot provide his food independently.

The Native's bargaining strength is weak for obvious reasons. Natives relying on the receipts of agriculture are, with all primary producers, particularly affected by a fall in world prices.

The apparent reason for the false comparison made between natives and Europeans as such, is that at present the standard of living of the European community is high, compared with that of the natives, and the stage of the "peer white settler" has not yet been reached.

"The proportion of persons in comfortable circumstances is much greater than in a long established community with wider differences between the social strata." (Memoir No. 2. - page 12.)

Although at present the Europeans of Kenya are on the whole a selected community, two facts must be borne in mind :-

(1) The conditions peculiar to the country which have led to the high standard of living.

(2) The rapidly changing conditions. It appears that there is a rapid increase of population by migration of principally lower salaried classes - in consequence, the "per capita" output of the European is lowered. On the other hand, as the native's skill and his demand for goods

affecting upper limit

affecting lower limit

and services increase, his standard of living will improve according to European standards, partly on account of his increased purchasing power, and partly as a result of Western influence through increased education. As his wants, measured in terms of Western ideas increase, so will his effective demand.

The present depression obviously affects both Europeans and Natives, but there are wealthy families who are not affected seriously, and if additional revenue is to be raised by taxation, these should bear the burden.

Section V. Railway Rates.

Lord Moyne remarks in paragraph 30 (page 18 - "The services rendered in the way of comfort and facilities are in accordance with the fares charged", and he appears to consider the freight-rates policy fair.

No comments on this section appear to be necessary.

Section VI. Import Duties.

A note on the incidence of commodity taxation may be of assistance in a consideration of Import Duties.

Commodity taxes should never be imposed on necessities, as the incidence is almost invariably regressive, the poorer and middle classes suffering more in proportion to the richer classes. A tax on commodities will be shifted to the consumer in the form of a higher price level. A tax on imports has exactly the same effect as an ordinary commodity tax i.e., its incidence is shifted to the consumer - with the following peculiarity.

The increased price of the foreign article enables the locally produced commodity to compete with, and undercut the imported goods.

The question of tariff imposition is obviously

obviously/

one of the utmost importance in framing the tax system of any country. The fact that an industry is protected raises the question as to whether conditions justify protection, and whether the labour and capital employed in the protected industry could be more profitably employed elsewhere.

If the import duty causes an artificial stimulation of production of the home article (where protection does not justify itself in the long run), the consumer not only pays a temporarily higher price, until the infant industry becomes established, but the duty has to be maintained and he further suffers in this way:

A certain portion of the productive capacity of the country is driven into less productive channels than might have been the case had no duty been imposed, and the community as a whole must suffer. The State is really supporting the producers of goods unsuited to the country, at its own expense, and at the expense of all consumers. Further, any tax on imports raises the general price level of all commodities.

Definite precautions should, therefore, be taken to study an industry before any protection is granted. This might be considerably developed, but is beyond the scope of this Memorandum.

The consumer always pays for taxes on commodities, and a poorer man will spend a larger share of his income than a richer one, in meeting the demands of commodity taxation. Since the poorer people must be taxed in some form or other, however, commodity taxes remain, but should be supplemented by an income tax on the rich.

Again, commodity taxes on a falling price level increase the charge on the poor man as compared with those whose incomes are fixed. This is an important fact and does not appear to have been fully realized in Kenya.

Section VII. Expenditure on Communities.

It is in considering expenditure on the communities that Lord Moyne appears to work on an entirely unscientific principle. An arbitrary rule that the community contributing the most revenue should receive benefits to the extent of, or in proportion to such contribution, is contrary to all laws of taxation.

"The equilibrium between the amount of taxes paid and the benefit obtained is rather to be found in the case of the community as a whole than of any small part of it." (Bastable: "Public Finance")

"It is manifestly impossible to assess each individual for the benefit accruing to his person and property by the maintenance of national existence and social order." (Sidgwick: "Political Economy" - page 560)

Section IX. Native Betterment.

The whole conception of the native betterment fund, as proposed by Lord Moyne, is fallacious. That there is need for a more systematic scheme of native development is recognised, but that this should be provided for out of direct native contributions to taxation, is incorrect in principle. Any definite requirements for increased direct native expenditure must come from general revenue. (See paragraphs 69 and 75 - Lord Moyne's Report.)

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Section XI. Review of General Budgetary Position.

The need for some form of additional taxation in Kenya is obvious, and from the foregoing remarks it will be seen that while the poorer and middle class population bears all the burden of very heavy indirect taxation, there is at present no tax, except inheritance taxes, which affects primarily the wealthier portion of the community.

A great many taxes are definitely regressive,

and under these conditions taxes on the wealthy should be progressive in order to secure simple proportionality of the tax system as a whole. Direct taxes on income are confined to the prosperous members of society.

The limitation of income taxes to the comparatively well-to-do arises in practice from the fact that the expense of administration makes it impractical to reach small incomes. There is thus exempted from income tax in most countries a minimum which is above the ordinary working class income, and above the average income of the whole people. Abatements are also usually allowed, to secure differentiation between taxpayers.

Inheritance taxes, or taxes on windfalls, are always specially desirable in any tax system.

The advantages may be briefly enumerated:-

1. Since they are "windfalls" the incidence is felt less heavily, especially if the heir is no relation to the donor.
2. Such taxes do not directly interfere with production, or impede active output.
3. They are regarded by those who want a better distribution of wealth, as a desirable means of securing it.
4. They are easy to levy, on account of formalities which take place on the death of any person.

The disadvantages of inheritance taxes are:-

1. They may be anticipated by large gifts made during the lifetime of the owner of an estate.
2. Incidence is irregular, depending on death - an insurable event. In a long lived family less will be paid by an estate towards taxation.
3. Capital accumulations should not be discouraged.



Income Tax and Savings: Both income taxes and inheritance taxes are often condemned on the grounds that saving will be diminished, and enterprise crippled. Saving is obviously a necessity in our system of civilisation - a fund for capital equipment which is indispensable.

It will be convenient to divide any taxed community into three main sections, for the purpose of considering the connection between income tax and saving. We need not consider poorer classes, as income<sup>tax</sup>/will, or should not, affect them.

(a) These with Moderate incomes: The aim of such classes is not to save for the sake of interest, but to provide for the future and for dependants - i.e., to keep up the standard of living. Taxation may encourage such people to make greater efforts to maintain the requisite amount of saving, and may actually increase output in this way.

(b) In the case of moderately rich people, heavy taxation may diminish saving by absorbing the surplus which would otherwise be saved. This class usually has a fixed standard of living, but is prepared to save the surplus.

With moderate incomes there is not commonly the degree of inequality which gives rise to the demand for a progressive or differential taxation.

(c) The third class - those people receiving large incomes must now be considered. Greater inequalities arise from large properties, which are hardly ever accumulated merely with a desire to provide for the future. Social ambition, love of domination, the pride of achievement are usual motives of the creators of fortunes.

If no excessive check of accumulation results progressive taxes on large property incomes are justified.

Income taxes are particularly suitable for adjustment from year to year, to suit the fiscal needs of the country.

Application to Kenya:

Both Income and Inheritance taxes should be present in any tax system such as we have in Kenya, where the bulk of the incidence of taxation falls on the poorer people.

One of the country's most valuable resources arises from the invisible export derived from the fact that wealthy people from abroad settle here. The question at issue is this: Are these investments so beneficial to the country as to justify the existence of a favoured, untaxed wealthy class of settlers, and will any check to settlement resulting from an imposition of Income Tax be wholly offset by other factors, such as the gain to revenue, or the more equal distribution of wealth?

The following points are important :-

1. There is now in existence a substantial tax on inheritance, and this has apparently caused no great diminution in the number of settlers.
2. Those people with large incomes enjoy a 'Saver's Rate' - They may secure 45 on an investment, but this would provide interest, even if only 25 were obtained. The capital can being large, a good income can be secured at the lower rate.
3. The mere discouragement of large fortunes is not a necessary check to production. As Kenya develops a middle class population - a large number of small capital investments will give as much control in industry as a small number of large capitals.
4. Any check on production imposed by taxation is not fatal as government expenditure itself may be productive. The stimulus of wise government expenditure must, therefore, be set against disinclination to accumulation.
5. As Kenya develops, commodity exports will probably take the place of certain desirable exports. If her internal

trade continues to increase and she tends towards self-subsistence, imports, and consequently exports, will diminish - in so far as they do not represent interest payments, or repayment of borrowed capital. While at present the invisible export represented by the investment of wealthy settlers plays a large part in the country's development, as immigration increases there will arise a class who will invest small amounts for this purpose (and the discovery of gold in Kenya will hasten such a tendency. The prosperity of the country will then be less dependent on the existence of a large, wealthy landowning community. (See Report - page 59. paragraph 118.)

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THE CRITICISM OF LORD HAYNE'S REPORT  
MADE BY THE  
TRANS NIGERIA FARMERS' ASSOCIATION.

The Farmers' Association, in company with Lord Hayne, approach the matter from a completely uneconomic point of view, in endeavouring to compare the receipts from and expenditure on the Native and European respectively.

The Association further makes an error in assuming that any increased taxation must necessarily fall on the 'average' salaried European, whereas the 'unearned increment of the wealthier members in each class would be attacked. A carefully planned Income Tax would not affect these Europeans who are not in a position to pay it. The Association does not appear to have a very clear idea of the true incidence

of taxation through an income tax. The income tax, if correctly administered, is the fairest form of taxation if provision is made to ensure that the low salaried who may be exempted bear a fair share of taxation in other ways.

Short reference is made below to certain paragraphs in the criticism which appear to require comment.

**Para. 7.** Post Office Revenue is certainly not taxation. No one is compelled to contribute towards its revenue unless he makes use of the Service.

**Para. 10.** "Average Salary" is a misleading term to employ, when discussing the incidence of taxation.

**Para. 11.** This has already been dealt with under the notes on "Expenditure on Communities" - Section VII. Para. 15-20.

**Para. 21.** Here again the memorandum appears to forget that there is no proposal to burden the "impoverished" European population.

**Para. 22.** The remarks made that native areas have been found where "in spite of the fall in prices there were clear evidences of prosperity". They omit to mention that such areas are found amongst the European community.

An attempt has been made to show that a comparison between native and European taxation is impossible. With reference to remarks on the comparative taxation of Europeans in Kenya and Great Britain, the following points are submitted.

(a) "The basis of taxation varies....." - The principles of taxation vary in all countries the same, it is only the application which differs.

(b) "Price levels ..... effort" - In Kenya the demand drop in prices, as a result of the world economic depression, has lagged behind the drop in European countries, owing to conditions which maintain an artificially high price level here. The purchasing power of money is thus greater in

Great Britain, and a tax paid in the latter country will be worth a correspondingly greater amount of goods and services than an equivalent money payment in Kenya.

"National Debt." etc. This is beside the point and does not enter into the question of taxation in any way. The fact of the non-existence of a national debt is no justification for any mal-distribution of taxation between different classes in a country.

The comparison between the Kenya taxpayer and the English taxpayer, and the conclusions you draw, are in my opinion correct.

I have made an extensive criticism of Lord Moyne's Report for our own departmental use, but I imagine that this would be of little use to you for any official purposes.

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*Handwritten signature*

These remarks are taken from the ...

EXTRACT FROM THE ...

"The ..."

The economy ... in two ways. In the first ... native labour were compelled ... estates. ... of wages in all industries ... was generally accepted as ... to the common sense and loyalty ... than to the relations of ... lished between the ...

The fall in wages, and the ... lamentably disappointing monetary value ... Native Reserves. "It ... wondered ... openly expressed suggestions ... of government ... in an honourable manner it would ... a rate which would be ... some ... value of produce ...

N.B. "The difficulties ... if that they have focussed the ... the community of the imperative necessity ... their utmost capacity the resources ...

"A great deal has ... been done, ... communications, which are the first ...

"A pressing problem ... theorganic ... two fold object of improving the ... of ensuring that the native ... for what they grow"

These remarks are taken from the Report, and may be of interest in connection with taxation in Kenya 36

EXTRACT FROM THE NATIVE AFFAIRS DEPARTMENT ANNUAL REPORT 1931

"The main resources of the native peoples for the realisation of wealth, after the satisfaction of the bare needs of existence, are the proceeds of their labour for employers and the proceeds of the sale of surplus produce. To these must be added the profits of certain industries such as basket making and needlework on the Coast, soapstone pottery, ware among the Kisii and models and curios among the Akamba, but these profits do not amount to a very considerable sum."

The economic crisis affected the proceeds of native labour in two ways. In the first place a number of firms employing native labour were compelled to close down, particularly sisal estates, and in the second place the current rate of wages in all industries fell to some extent and in many cases to a very great extent. The fact that this fall in wages was generally accepted as inevitable is a testimony no less to the common sense and loyalty of the native labourers than to the relations of mutual esteem and affection established between the European master and his African servant."

The fall in wages, and the fall in prices have resulted in a lamentably disappointing monetary value of the produce of Native Reserves. "It is not to be wondered at that there were openly expressed suggestions that if Government were to act in an honourable manner it would reduce the hut and poll tax to a rate which would bear some relationship to the decreased value of produce and of labour."

N.B. "The difficulties of the year have had one good result in that they have focussed the attention of all sections of the community of the imperative necessity of developing to their utmost capacity the resources of the Native Reserves"

"A great deal has to be done, particularly in the matter of communications, which are the first essential."

"A pressing problem is the organization of marketing with the two fold object of improving the quality of the produce and of ensuring that the native growers receive an adequate return for what they grow"

37 

Kitale,

7th Nov.1932,

Dear Sir,

I am instructed to forward this Criticism of Lord Moyne's Report to you with the earnest request that you will give it your careful attention.

Yours faithfully,

 O.R. ARNELL

(Hon. Sec. Trans Nzoia Political Association)



This Criticism of Lord Hoynes Report was prepared by a sub-committee, for the Trans Nzoia Farmers Association Executive and received their approval and that of the Convention of Associations.

The Committee of the Trans Nzoia Political Association feels that there is a serious danger of the Report being regarded as the final word on Financial matters in Kenya and thoroughly reliable, which is by no means the case. They therefore decided with the approval of the T.N.F.A., to forward the Criticism to influential people who may influence policy with regard to Kenya.

For this purpose it was essential to have it printed and, although the Nzoia Press have assisted greatly by undertaking the work at cost (or less) the expense is high. To reduce the price per copy two hundred have been printed and you are urged to buy one.

In the improbable event of a profit being made it would be used -

1. To pay the T.N.F.A. the cost of preparing the Criticism,
2. The balance to the general fund of the Political Association.

The booklet has been sent to :-

Mr. C. S. Amery  
 Comm. Agnew M.P.  
 Sir J. Sanderman Allen M.P.  
 Earl Buxton  
 Sir C.B. Bottomley C.B. C.M.G.O.B.E.  
 Capt. Cazalet M.P.  
 Sir W. Carter  
 Lord Cranworth  
 The Right Hon. Mr. Winston Churchill  
 Brig. Gen. Sir A. Croft M.P.  
 The Editor of East Africa  
 Mr. Justice Feetham C.M.G.  
 Major Furse  
 Sir T. Gowers  
 Mr. Ormsby Gore  
 His Excellency the Governor of Kenya  
 Sir Edward Grigg K.C.M.G. K.C.B. D.S.O.  
 Sir S. Henn K.B.E.  
 Gen. Hunter Weston  
 Mr. Morgan Jones M.P.  
 Sir H. Leggett  
 Mr. W. Lunn M.P.  
 The Right Hon. Lord Lugard G.C.M.G. C.B. D.S.O.  
 Mr. F. H. Melland  
 The Right Hon. Mr. Ramsay McDonald  
 Mr. R. A. Mant  
 The Editor of the Manchester Guardian  
 The Editor of the Morning Post  
 Sir G. Milne  
 Mr. D. A. Malcolm  
 Lord Hoynes  
 Mr. J. H. Olgam  
 Lord Olivier  
 Mr. C. Ponsonby  
 Leader of E.M.'s Northern Rhodesia  
 Premier of Southern Rhodesia  
 Sir Philip Richardson M.P.

The Sec. of State for  
 the Colonies  
 The under Sec. of State  
 for the Colonies  
 Sir George Schuster  
 Mr. Philip Snowden  
 Mr. J. H. Thomas  
 The Editor of the Times  
 Vice Admir. Taylor M.P.  
 Mr. Conrad Walsh  
 Mr. Wigglesworth  
 Col. Wedgewood M.P.  
 Sir Samuel Wilson  
 Sir Edward Hilton Young

**A CRITICAL SURVEY OF**  
**THE REPORT**  
**BY THE FINANCIAL COMMISSIONER**  
*(Lord Moyne)*  
**MAY 1932.**

A CRITICAL SURVEY OF THE REPORT BY THE FINANCIAL COMMISSIONER (LORD MOYNE) MAY, 1932.

1. The report can be divided into two main parts -

(a) Statements of fact, evidence and statistical tables

(b) Conclusions and recommendations based thereon.

Part (a) is of the very greatest value and, judging from internal evidence, is, in general, accurate and reliable. Part (b) is more questionable; the conclusions do not always seem justified by the facts quoted and, in some cases, appear to involve definite contradictions. There appears to be a definite bias towards the conclusion that the non-native is the more favoured community. We do not imply that the Financial Commissioner was prejudiced, but suggest that the bias is a reflection of the attitude of official witnesses and we consider that Lord Moyne was not in Kenya long enough to check the information he received.

Our observations will be supported by internal evidence chiefly, and will be grouped under the following heads:—

- A. Evidence, terms of reference, general principles.
- B. Racial contributions to taxation.
- C. Contributions to Local Taxation.
- D. Expenditure on racial communities.
- E. Taxable Capacity.
- F. District Councils.
- G. European Education.
- H. Native Betterment Fund.
- I. Various.

2. A. Evidence, Terms of Reference, General Principles.

It is remarkable that the Financial Commissioner quotes no evidence by Unofficial Europeans and that the only visits he mentions were to native areas although he states that he received evidence from all available sources. (a)

(a) During my stay in Kenya I received verbal and written evidence from all available sources of information, official and unofficial, including the representatives of the different native and non-native communities.

I visited by road the Local Native Councils of South Nyeri, Meru, Kajiado, Nandi, North Kavirondo, Marakwet, Digo and Machakos.

The Terms of Reference suggested that the enquiry was entirely with regard to facts and figures which could only be obtained from Government Departments, except for (d) which is a purely native question. (b)

We submit that an enquiry into Taxable Capacity and into Local Government can only be included by the widest interpretation of the supplementary terms of reference. While approving a wide interpretation, we consider that the Financial Commissioner should have called for evidence from Bankers and others regarding the financial position of non-natives, and that before criticising Local Government he should have visited District Councils and called for evidence from them.

Further it was the duty of the Kenya Government to have arranged visits to the settled areas other than Nairobi, and to have advised Lord Moyne with regard to the calling of evidence on the two above subjects, and it is surprising that the Financial Commissioner did not himself insist upon such visits.

A very serious error appears in the evidence of the Commissioner of Turkana. He states that only £710 was spent on services of direct native benefit in his province, (c) where.

(b) Page 1 Terms of Reference.

(1) To enquire into the matters specified in paragraph 105 (1) of the Report of the Joint Select Committee on Closer Union in East Africa, viz:—

- (a) The contribution made to taxation, both direct and indirect by the different racial communities;
  - (b) railway freights and import duties, with a view to discovering the extent to which each community benefits or suffers by them;
  - (c) the amount of money expended in the interests of each community, in particular on natives and non-natives and
  - (d) the degree and manner in which financial responsibility should be conferred on native Councils.
- (2) So far as it may be necessary for the purposes of the above enquiry to consider the general financial and economic situation of the Colony and Protectorate of Kenya, and
- (3) to make a Report.

Supplementary instruction.

To make recommendations as to the re-adjustment of taxation and expenditure if examination of the present position under the original Terms of Reference discloses a case for change.

Insufficient provision in 1931 for backward areas.

(c) Many areas were seriously neglected. ... The Commissioner for Turkana, a very poor Province, ... sent me figures showing that whereas £7,578 is raised in direct native taxation only £710 comes back in services of direct native benefit.

as the Medical Department alone spent £2,696 on the natives of this province. (d)

The table on page 93 also shows Medical Expenditure for Lamu and Tana River though it is stated that the Pokomo Tribe, who live along the Tana River had no provision whatever made for medical services.

Apparently this evidence did much to convince the Financial Commissioner that "backward areas" were neglected.

3. Other criticisms are—

(a) (Court) fines and forfeitures and native registration (fines) totalling £660 for Europeans and £22,067 for natives (e) are included in community contributions to revenue whereas Judicial, Police, and Administration are regarded as indivisible. (f)

(d) Classification of 1931 Expenditure, Medical Dept.  
Native Services.

Lamu				
Tana River				1,144
Turkana Province	Popn.			
West Suk	24,805			
North & South Turkana	53,511	N.H.	M.O.	S.A.S.
				2,696

(e) (p. 84 p. 85, para. 1 sch. 2)	Europeans	Indians	Natives	Total
Other Taxation Revenue	£	£	£	£
Native Registration			1,460	1,460
other revenue (not taxation)				
Fines & Forfeitures	660	1,030	20,607	22,631
	(660)		(22,067)	

(f) (Ex. from p. 81 p. 82 sch. 5) Expenditure on Indivisible Services.

Judicial Dept.	£	33,087	£
Police Votes (net after deducting reimbursements)		141,028	
Prisons		46,714	
Domestic Servants Registration		1,648	
Finger Print Bureau		7,535	
Contributions to Local Government Authorities			101,751
Administration		196,786	
Public Works Department		253,594	
	(689,353)		(101,751)

It is unreasonable that the native community should be given credit for this very large sum, which, considering that it is made up from comparatively small amounts shows clearly that the high cost of the services referred to is almost entirely due to their comparative lawlessness.

Most of the Medical Expenditure allocated to Europeans, which totals £24,527 (g) is in respect of medical treatment and nursing of Officials, either in Government hospitals or privately. (h)

This is no more a "European Service" than are pensions or the housing of Officials. The total of Hospital fees allocated under European Revenue is £9,635 (i)

The statement that 37% of the Colony's revenue was from native direct taxation in 1911 (j) conveys nothing without population figures, which were—Europeans 3,141, Indians 9,477 and Natives (approx in 1914) 2,766,380 i.e. 19% 25% and 94% respectively of 1931 figures.

To say, on the strength of this, without any evidence of the services provided, that it is evident that the natives have long paid an ample contribution is quite unwarranted.

We welcome the fact that the Financial Commissioner accepts the principle that "it is most important to give adequate security to... Europeans and other non-natives" (k)

(g) (Page 84 Schedule 6.) Expenditure on European Services.  
Medical £24,527.

(h) (p. 91) (5). The cost of medical treatment and nursing expenses of Government officials treated in private hospitals or by private practitioners is included under the heading "European Services"

(i) (p. 66) Sch. 2. Other Revenue (Not Taxation)  
Europeans  
£9,635

Hospital Fees

(j) (p. 26 middle, para. 47). The hut tax was instituted in 1901 and the poll tax in 1903 but the latter was only applied generally in 1910. By 1911, apart from contributions to customs duties, the native population was contributing no less than 37% of the total revenue of the Protectorate (excluding railway revenue) by these forms of direct taxation. Considering the services provided in return it is evident that the natives have long paid an ample contribution towards the general revenue of the country.

(k) (p. 3 top, para. 2). While any discrimination... designed to favour unduly any one community is of necessity open to serious criticism, at the same time it is most important to give adequate security to those Europeans and non-natives who have settled in the country, and who have made a permanent home there, often under very difficult and trying conditions.

4. B. Racial Contributions To Taxation.

As argued in our Para 3a we consider that the native contribution figure should be reduced by £22,067 and the European by £660. The Post Office revenue of £168,132 (l) is believed to be at least 90% from non-natives, chiefly European: as Government correspondence is carried free this involves a contribution to the Surplus. Thus the European contribution should be increased by a considerable proportion of £168,132 and decreased by £660 while the native contribution should be decreased by £22,067 and increased by a small proportion of £168,132.

Without allowing for these adjustments the figures on Page 24 show that the contributions per head are:— Europeans £38.10/-, Asians £6.15/-, Natives Shs. 5.36. It should be noted (m) that Europeans pay 6.4% in Direct and 93.6% in Indirect taxes and natives pay 67.1% in Direct and 32.9% in Indirect taxes. The indivisible part of the revenue (excluding reimbursements) is only 15.6% of the whole. (n)

(l) (p 67 appx 1)	Indivisible £	Total £
Posts and Telegraphs (Page 24 Bottom Para 44)	168,132	168,132
The latest population figures are as follows:		
European	17,285	£565,781
Asian	56,903	385,658
Native (Page 63)	2,950,000	791,100
	Europeans £	Natives £
(m) (p. 63) Direct Taxation	42,596	530,877
Total	665,781	791,100

(n) (Page 63 Appx 1)

Schedule 1

Summary of Revenue collected in 1931

	Indivisible	Total
	1,224,391	3,066,930
Subtract Reimbursements	883,716	883,716
	340,675	2,183,214

From the evidence <sup>adduced</sup> we entirely agree with Lord Moynne's words "The present amount of Native Taxation could be collected without hardship" and "I certainly do not consider that any sudden or drastic readjustment of Taxation..... would be called for in this connection (o) but disagree with Para 66, (p), Para 71 (q) and Para 69 (r) which suggest the exact opposite."

5. As shown by the Financial Commissioner, the average taxation per head for Europeans is £38.10/- and for natives Shs. 5.36. Taking a family of only three i.e. one child (which is too few for a stable population) we find that the family contribution for Europeans averages £115.10/- and for natives Shs. 16.08. The average wage of the European employee (excluding Government servants) is estimated at less than £30 per month, and of the native is about Sh. 8/ plus rations, medicines and lodging, which makes at least Sh. 12/- per month in all. Thus while the European employee (unofficial) contributes about 4 months salary in taxation, the native only contributes 1 and 1/2 months emoluments. As, omitting dependents, 73.5% of the European population are employees, (s) and many producers are being driven to seek employment, these figures are illuminating.

(o) Page 11 Para 16 end.  
Page 27 Para 48 end.

(p) (Page 36 Bottom Para 68)

Even if direct native taxation be transformed in the way that I have suggested with the object of making it more adaptable to taxable capacity, it will, if maintained at its present level, represent a heavier individual sacrifice than that at present imposed upon the non-native population.

(q) (Page 38 Middle Para 71 Middle)

As the justification for such a fund (Native Betterment) is to be found in the high level of native taxation in proportion to native wealth and their claim to special direct services...

(r) (Page 37 Middle Para 69)

The main justification for asking the native to submit to heavier sacrifice in taxation than the non-native...

...the main justification for the heavy contribution made by the native to public taxation from his slender means...

(s) Page 101

Nature of Employment of European Population.

Census year.	Dependants	Employers.	Employees.	Own Account.
1926	6,123	1,036	4,091	1,279
1931	8,288	768	6,267	1,489

7  
6. We must express our complete disagreement with the Financial Commissioner's conclusion "comparing the burden of taxation throughout the world with that borne by the European population of Kenya, it is evident that the latter enjoys the amenities of civilisation in return for a relatively light scale of contribution" (t)

### 7. C. Contributions To Local Taxation

The question of voluntary racial taxation on the part of natives has a bearing on both racial contributions and on racial services. In Para 57, (u) Para 59 (v) and Para 34 (w) the Financial Commissioner comments upon the practice of Local Native Councils raising funds for Education, Roads and Agricultural Services (Note that they also raise funds for Medical Services) In Para 78 (x) he says that this is done "owing to insufficiency of Government grants, although such grants are given to defray the whole cost of analogous services in settled areas"

Yet in Para 69 (y) (twice) and Para 71 (z) he appears to

(t) Page 27 Para 48

u. Page 31 Top, Para 57)

A further serious anomaly has developed in connection with capital expenditure for education. Local Native Councils have since 1926 voted £33,381 for the provision of school buildings to make up for the insufficiency of Government grants, although accommodation on a very generous scale has quite properly been (mostly) entirely from central funds for the school buildings of the European and Indian communities.

(v) (Page 31 Middle, Para 59)

Examination of the system of road finance discloses an anomaly which calls for remedy. In 1931 Local Native Councils contributed £9,509 to supplement Government grants. By this means they actually paid the capital costs of bridges which would otherwise have had to be borne by Colonial funds. In European (District Council) rural areas no such contributions are made either from local rating or otherwise

(w) (Page 34 Bottom)

A further inequality is shown in the fact that Local Native Councils provided £8,497 in 1931 for agricultural and veterinary services, although the whole expenditure on the corresponding non-native services was made from central funds.

(x) Page 41.

(y) (Page 37 Middle Para 69)

...the native is quite unable to provide this service (medical and also education) for himself and depends entirely upon the public medical arrangements.

44  
8  
realise that the European population, to a great extent, provide for their medical requirements and pay for the education of their children without Government assistance, either in money or (as for Native Councils) by Government organising and administering the service. It should also be noted that the European community incurs considerable private expenditure to maintain the Coffee Planters' Union, Farmers Associations, Agricultural Society, Horticultural Society etc., and that there is considerable private expenditure on roads (of access serving small groups of farmers) and the R.E.A.A.

A further consideration with regard to roads is that grants were inadequate for both native and settled areas under P.W.D. Administration.

Under District Council administration the Original grants proved adequate for Maintenance, but in native areas, they have proved inadequate.

The fact is that Government does not supply complete services in either Native or Settled areas, and that the Communities subscribe, Europeans by private arrangement, and Natives through Government to augment the services.

### 8. D. Expenditure on Communities

In comparing the amount of money expended in the interest of each community the following considerations must be borne in mind:—

Whereas the non-native is capable of paying for a large part of the cost of his children's education, this service must be available for the native entirely from public provision. In the same way the European population arrange and pay for their own medical treatment, but the native is quite unable to provide this service for himself and depends entirely upon the public medical arrangements.

(z) (Page 38 Middle, Para 71 Middle)

As the justification for such a fund (Native Betterment) is to be found in.....and their claim to special direct services.

D. (Page 12 Bottom, Para 18)

(a) I was advised by many impartial observers with long experience in the country, including several missionaries, that in the districts in closest contact with European civilization and markets the native standard of living has very markedly improved during recent years.

(Page 9 Top, Para 15)

An examination of Native life close to Nairobi and the European markets gives no indication of the primitive conditions and extreme poverty found in areas which have so far been little affected by civilization.

(a) Though in native areas the unofficial European population is negligible, in settled areas the native population is many times the European.

(b) Native prosperity is very largely dependent on the close proximity of European civilisation. (a)

It can therefore be safely assumed that "direct" European services benefit the Native to a far greater extent than "direct" Native services benefit the European.

9. The Financial Commissioner states that "expenditure should be based on the general interest" (b) and accepts the view that security for Europeans and other non-natives is most important. (our Para 3)

The following figures which appear on Page 24 viz:

	Contributions	Services	Surplus
	£	£	£
European	665,781	171,247	494,534
Asiatic	385,658	46,060	339,578
Native	791,100	331,956	459,144

show that the percentage of taxation spent on Direct Services is in the case of Europeans 25.7%

Asians	12.0%
Natives	42.0%

If direct services were based on the same percentage of Revenue Contribution throughout (29.6%)

Europeans would receive	£27,153 more
Asians	£26,820 more
Natives	£95,973 less in Direct Services

(Page 11 Middle, Para 16 End)

In contrast to such poor Districts, where distance from markets is causing difficulty in turning crops and livestock into the currency needed for paying taxes, I found areas where, in spite of the fall in prices, there were clear evidences of prosperity.

(Page 109)

**Mwimbi and Chuka (tribes)**

This year owing to the financial depression the demand by settlers for African labour is very much decreased.

It is probable that the amount of money entering the Reserve at present from this source is not more than one eighth of the normal.

(Page 106)

**Elgeyo**

4. There is to day a constant cry on the part of Natives that Government should help to find them work.

(b) Page 25 Para 44.

(c) (Page 24 Top, Para 43)

.....it is evident that they are by no means of equal benefit as between communities.

It is unfortunate that the Financial Commissioner has been unable to allocate so large a proportion of the expenditure and has concluded, as we believe on insufficient evidence, that this indivisible expenditure is chiefly for the benefit of the Non-native Community. (c)

Our Para 8 has an important bearing on this question.

10. The greater part of the expenditure on indivisible services (d) might properly be divided in proportion to direct services rendered, in accordance with business methods of allocating overheads; but, as shown in our Para 3, it would appear reasonable to charge a large proportion of the expenditure on Judicial department, Police votes, Prisons, Administration and P.W.D. (e.g. for buildings, rents and house allowances for officials), and possibly Native Registration and Finger Print Bureau to the native community. This more than off-sets the expenditure on Local Government Authorities. Further it should be pointed out that some of the services referred to in Para 48 (e.g. Water Supplies) are provided at a profit to Government.

11. With regard to the criticism in Para 42 "the earlier

(Page 26 Middle, Para 47)

Judgement as to whether Europeans have been contributing a fair proportion to the cost of the indivisible or Colonial service must largely depend on opinion as to how far these services are of equal benefit to all races and how far they have been developed primarily for non-native benefit.

(Page 26 Bottom, Para 48)

On examining the general structure of these Colonial services and the proportion of cost due to the provision of such conveniences as motor roads, municipal water supply and general scale of Government and municipal services, comparing also the services in settled areas with those provided in neighbouring areas where European interests are less dominant, I have formed the opinion that in the development of the undivided or colonial services in Kenya the prevailing bias has been towards the convenience of a civilization in which the native so far shares little of the direct advantages.

(Page 34 Para 62 Bottom)

The expenditure of the remaining £88,482 shown as indivisible as between communities has largely been devoted to work of greater interest to the European settler than to the native, although the native, doubtless gets an indirect benefit by the prosperity of non-native agriculture and the additional employment which is thus afforded.

(d) Pages 81 and 82. see note (f) on next page 8.

classification (that submitted to the Joint Select Committee) took into account the estimated cost of housing. Government officials employed on Native services, an addition to their emoluments representing the pension liability which ultimately would fall upon Government revenue, and also the estimated cost of reliefs, leave pay and passages. A classification of that nature, whilst it may give a fair picture of the real cost to Government of Native services cannot be adopted as a basis for allocating the actual expenditure of any one year to the various racial communities which contribute to the Colony's revenue..... these costs..... are.... shown in the schedule of indivisible general services." (our heavy type) This is no doubt technically correct, but the proper proportion of actual expenditure in any one year on the said housing etc., should be charged to the cost of native services.

12. We willingly accept the principle that the European community should continue to make a reasonable contribution, according to means, for the betterment of the more backward native community, but maintain that the present distribution of services already involves a generous contribution.

We consider that the Financial Commissioner's conclusion "I certainly do not consider that sudden or drastic readjustment of the general balance of expenditures (between communities) would be called for in this connection" (fair contribution to Colonial services) is amply justified. (e)

### 13. E. Taxable Capacity.

We have remarked in our Para 2 that the Financial Commissioner apparently collected no ad-hoc evidence with regard to European taxable capacity: his conclusions are based on various statements many of which are contradicted by facts, and some of which are contradicted by evidence found in other parts of the Report.

Evidence with regard to the European economic position is afforded by the following:—

".....owing to the <sup>immense amount of</sup> ~~immense amount of~~ the European population and the relative growth of native reserves" (f) ".....the state of commerce and industry point to stagnant or shrinking conditions of business" (g)

(e) Page 26 Para 48.

(f) Page 26 Para 47.

(g) Page 57 Para 114.

"In a community where external payments must depend almost entirely on primary production, the catastrophic falls in prices for maize, sisal, and other local products have necessarily caused a great restriction of purchasing power .....locusts..... This misfortune has not only caused disastrous losses to cultivators, but it has also had serious indirect results." (h) "It is disturbing to find that a very high proportion of the school fees chargeable are not recovered from parents" (i) N B, Fees are only excused by the Director of Education in cases of real necessity.

The fact that though the rate of taxation has increased the return has decreased 12.6% in the case of Europeans (j) supports the above quotations which all tend to show that the European Community can not bear heavier taxation. The 3.7% decrease in the native revenue is probably largely brought about by decreased employment by Europeans, owing to their impoverishment.

It is impossible to lay too much stress on the obvious fact that commerce is almost entirely dependent on agricultural prosperity and that the position of the salaried and wage-earning, and the professional, classes depends on agriculture and commerce.

14. Statements concerning the economic position of natives are found in the following:—

Para 15 (k) ".....the primitive conditions and extreme poverty found in areas which have so far been little affected by civilization" Para 16 (l) ".....I found areas where in spite of the fall in prices there were clear evidences of prosperity" Para 62 (m) "A marked increase in native production and consequently in native exchange resources or cash, has been made necessary by the recent improvement of the

(h) Page 50 Para 98.

(i) Page 29 Para 54.

(j) Page 102 Bottom

### Combined Customs and Other Taxation.

	Europeans	Asiaties	Natives
1926	556,100	290,400	769,800
1931	486,200	325,700	741,500
Change	-69,900	35,300	-28,300

(k) Page 9.

(l) Page 9.

(m) Page 33.



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(e) Page 26 Para 48.

(f) Page 26 Para 47.

(g) Page 57 Para 114.

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(i) Page 29 Para 54.

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(k) Page 9.

(l) Page 9.

(m) Page 33.

standard of native life by the development of new wants in diet and in the amenities of life, and not least by the demands of the tax collector. When his needs were fewer the native could supply them by a smaller agricultural return."

It seems clear (n) that

(a) District Commissioners have considered that native communities were able to raise further taxation (rates) without undue hardship.

(b) That the native representatives have agreed.

(c) That the money has been forthcoming and very satisfactory surplus balances have been built up. N.B. We do not suggest that any "raids" should be made upon these surplus balances

We draw attention to the fact that the Financial Commissioner states that in some areas a rate of Sh. 3/- per head has been imposed, whereas in fact it is per taxable head. Even this is a large contribution compared to the average rate of native taxation.

15. In Para 49 (o) we read "Reasons have already been given for the view that the native can not in his present circumstances fairly be expected to make heavier contributions and if further revenue has to be raised it ought to be from

n) (Page 45 Bottom, Para 87 Bottom)

It seems quite obvious that without a District Commissioner to guide each Council as President, none of the bodies (Local Native Councils) was capable of exercising any effective financial control. (Page 46 Para 88)

At the present time the rates voluntarily imposed vary from Sh. 1/- to Sh. 3/- per head.

(Page 114—115)

#### Table of Revenue and Expenditure of Local Native Councils in 1931.

	Rates	Surplus balance in Hand.
Total	£39,952	£119,504

(o) Page 27

(p) (Page 13 Top, Para 19)

Native capacity to pay taxes, therefore remains far less fixed and measurable than in the case of non-native communities. European production is generally based on the maximum economic level of output and the wage earner strives to secure the greatest reward obtainable in return for his regular effort. The African native, however, does not produce at the same full pressure. The volume of output is far below the maximum and is regulated mainly by the

the non-native.

A search for these "reasons" only discloses a statement (p) to which, the Financial Commissioner appears to attach great importance. The early part of Para 19 (q) can be expressed as follows:—

Compared with the European the Native is working at a low pressure. The European can not, by increased effort, improve his Economic position, therefore any extra taxation reduces either his standard of life or his savings. (Savings are non-existent)

On the other hand the Native can, by putting forth a slightly greater proportion of his available energy, improve his Economic position and so pay extra taxation without any reduction of his standard of life, the only hardship being to work at a less low pressure.

We entirely agree with this view, but can not doubt that the reasonable conclusion to draw from it is the exact opposite to that of Para 49. Our view is supported by Para 62 (o and m)

In Para 19 and Para 45 (q) the word "fixed" is introduced in connection with European incomes and resources. The only meaning which can be attached to this is "incapable of increase by extra effort."

There is no doubt that profits from agriculture and commerce have practically disappeared, and salaries and wages have decreased very greatly.

16. The principles on which the recommendations are based appear to be "taxation in proportion to capacity" (r) "reasonably equivalent sacrifice" (s) and "proportion of available cash resources" (t)

need to provide the bare necessities of life.....

(q) (Page 13 Middle, Para 19 End)

Under these conditions, natives pay their taxes not out of a fixed income but by means of additional production in the Reserves or alternatively, they may choose to earn the money by a few weeks' work in settled areas.

(Page 25 Middle, Para 45)

Contrasts between racial standards of life have made the measure of equality of sacrifice in taxation even more difficult of practical application than in Europe. It is impossible satisfactorily to compare the burdens of taxation where the native pays out of additional production and the European out of fixed and limited resources.

(r) Page 60 Para 11q.

(s) Page 16 Para 23.

(t) (Page 37 Top, Para 68)

Natives taxable capacity must therefore be largely a matter of

We believe we have shown that so far from the sacrifice involved by increased taxation being greater for the Native than for the European, the Native would merely have to work a little harder but the European standard of life would have to be reduced still lower than it is at present.

With regard to cash resources, there is no doubt that, if bank balances are included, these are less than nil for the great majority of cultivators and business men and that the salaried and wage earning class are living from hand to mouth.

The standard of life of Europeans cannot be judged by Nairobi, where there is a large population of salaried Government Officials whose expenditure reacts favourably on the unofficial population.

We submit that the principle that any additional tax on one community must be accompanied by new taxation for the other communities is unsound, unless there is already equality of sacrifice. This principle has not been followed when new taxation was imposed on the non-native community (u).

We suggest that the fact that Europeans pay 93.6% of their taxes in an indirect way (our Para 4) i.e. over £36 per head does affect the practicability or justice of increasing

spoon but taking into account the conditions under which the native lives and the fact that taxes absorb so large a proportion of his available cash resources I have no doubt that however the burden may be redistributed between one District and another, it would not under present conditions be fair to budget deliberately for any increase in the total.

u) Page 15 Bottom, Para 23

The Ormsby Gore Commission reported to the effect that it could be unjust to impose an additional tax on the chief form of native wealth unless a corresponding tax is imposed on non-natives. If another recommendation of that Commission in favour of a non-native income tax be also adopted there will no longer be any just ground for grievance on the part of natives.

v) (Page 59 Middle, Para 118)

#### Light Non-Native Direct Taxation

.....Kenya would still offer great advantages to intending settlers under the comparatively light scale of taxation which would be necessary if remedial action be taken in advance of a serious crisis.....the non native population of Kenya are in the probably unparallelled position among civilized nations of bearing no direct taxation at all beyond a male poll tax of Sh. 30/-, a male education

his direct taxation without an equivalent decrease in the indirect (v)

Thus the conclusion of Para 115 that (fresh taxation) "can be imposed in a well tried form which need involve no serious hardship. Increased burdens can not with any justice be borne by the native population and, if imposed, they should be graduated according to ability to pay" and that of Para 118 (v) cannot be justified by the facts or arguments adduced. With regard to income tax specifically, one grave objection is the increase in the number of officials which would be necessary.

We maintain that expenditure must be adapted to the means of the population, and that it is most undesirable that either native or non-native taxation should be increased at the present time.

17.

#### F. Local Government.

In our Para 3 we remarked on the failure of the Financial Commissioner to obtain evidence from District Councils. Although when he visited Marakwet and Elgeyo he actually passed through Eldoret and came very near to Kitale the Councils of the important districts of Uasin Gishu and Trans-Nzoia which meet in these two places were not invited either to meet him or to give evidence.

18. It is remarkable that the only service of which the efficiency is called in question is the one which is not carried out by Government.

We would welcome the examination suggested (w) but would point out that Taxpayers have no effective control of Government Expenditure.

tax of Sh. 20/- or Sh. 30/-, and a comparatively light scale of death duties.

The resource of direct taxation is some degree proportionate to the means of the tax-payer is therefore at present practically untapped.....low tax on incomes.

(w) Page 32 Bottom, Para 60 End

The Economy Committee (see para 102) should examine the present system of financing Local Governments in Kenya, bearing in mind the fact, now generally admitted elsewhere, the local authorities are apt to be inefficient and wasteful administrators of funds to which they do not themselves directly contribute. Comparison should also be made between the cost of administration through District Councils and through District Road Boards and Committees which they replaced, in order to consider how far reversion to the former system might be justified on grounds of efficiency and economy.

19. The Financial Commissioner strongly suggests (a) that it was the duty of District Councils to levy rates and (b) that they have misused Government grants. (x)

It is unnecessary to do more than quote extracts from the Feetham Report, Page 91 Para 2 (y) and Page 93 Para 4 entirely, to disprove the former accusation.

The Feetham Report Page 93 Para 4 reads ".....Annual grants should in the first instance, be made to District Councils on such a basis as to enable these proposed bodies to carry on the work entrusted to them upon the same scale as that on which such work is

(x) Page 31 Middle, Para 59 Middle

District Councils have now entered their fifth year of life and there is no evidence that they intend to raise any local contribution by means of levying rates, as was expected when they were founded, while the present system relieves them from such necessity.

Local Government finance is not working in accordance with the principles upon which the enabling legislation was founded. It appears from the Feetham Report (Vol. 11, Page 96, para 2) and from Section 104 of the Local Government (District Councils) Ordinance of 1928, that it was originally intended that basic road grants with their percentage surcharge, should be devoted entirely to expenditure in respect of road work. Owing, however, to the failure of District Councils to rate their Districts for general purposes, as provided in Part VI of the Ordinance, these grants are now subject to miscellaneous charges, including those mentioned above not directly connected with road upkeep.

Page 32 Top, Para 60

Under the heading of overhead charges come such different items as the salary of the engineer and the cost of his travelling, election expenses and the travelling expenses of councillors, depreciation of plant, rent of office, office furniture and equipment, and emoluments of an accountant clerk.

(y) Feetham Report Page 91 Para 2

We recognise that the adoption of any proposal which involved applying the proceeds of local taxation to meet charges which are at present met out of Central Funds would afford prima facie justification for the claim that existing methods of taxation should be revised, with a view to giving some relief from central taxation proportionate to the burden to be imposed on the local taxpayers. But it does not appear to us that proposals for raising, by means of local taxation, additional sums for the improvement of local services, should necessarily be deferred until there has been a revision of the existing system of general taxation.

carried on to-day, without their being obliged, in the case of any District, to have recourse to the exercise of their powers of local taxation until the representatives of the District concerned themselves decide that the time has come to exercise their powers for the purpose of the improvement or extension of local services.

Regarding the latter there is no evidence at all to suggest that in the Trans Nzoia or, so far as we know in other Districts, the District Council has spent funds provided by Government, for any purpose other than those laid down in the enabling legislation. Before a charge of improper use of funds is made against any District Council evidence should be produced in support.

20. We have no doubt that production of true cost accounts for similar works by the P.W.D. and by District Councils would prove conclusively that the District Councils are the more efficient and economical.

21.

#### G. European Education.

We welcome the Financial Commissioners statement. (z) "It is indeed in the interests of the Colony that the children of the settlers who must inevitably in future play an indispensable part in its development shall be adequately fitted for their task."

We point out that the charges mentioned (a) are about one third of the charges of private schools supplying a similar need in the Colony.

No-one would question that it is unjust, and unwise under African conditions, that a child should be given an inferior type of education owing to his parents' impoverishment. We have already pointed out that in normal times a very small proportion of the fees mentioned (z) are unpaid.

22. "It was agreed in 1927 with the Elected Members of the Legislative Council that the cost of European and Indian Education with the exception of administration charges and loan charges for the provision of schools, should be paid for out of special revenue. The necessary revenue was provided for by the imposition of Education, Poll taxes and the wines and spirits consumption tax. As will be seen from

(z) Page 29 Para 54

(a) It is disturbing to find that a very high proportion of the fees chargeable are not recovered from parents, and I consider that a standard of education measured by boarding fees of £45 and tuition fees up to £6.10.0d for a nine months' period represents an unduly high scale of advantage to be enjoyed at the public expense

Appendix 1, Note No 5, Page 89, the account for 1931 shows a small credit balance in the case of European education....." (b)

The proposal that the Education taxes should be included in general taxation is calculated to distract attention from the fact that this is a special contribution for the provision of a special service. (c)

The scattered distribution of the rural population makes boarding essential in the great majority of cases.

### 23. H. Native Betterment Fund.

The Financial Commissioner recognises two grave objections to the institution of a native betterment fund, (d) to which we add another—the increased overhead expenditure. He adduces as justification for it the need of a guarantee that the native community shall obtain a fair share of expenditure (e) and says "...the justification for such a fund is to be found in the high level of native taxation in proportion to native wealth and their claim to special direct services..." (f)

In our Section B we have shown that **The level of Native**

(b) Page 29 Para 53.

(c) Page 29 Para 53

The present taxation on which the arrangement was founded should remain in force, but the non-native poll tax and education taxes might now with advantage be merged...

(d) Page 42 Bottom, Para 81

Administrative separation of the communities would in existing circumstances be open to great objections on financial and political grounds.

Page 25 Para 44

.....believing that the material interests of the constituent elements are complementary and that every attempt to separate them into water-tight compartments...would be against the best interest of all of them.

(e) Page 43 Top, Para 81 Middle

The Expedient of a Native Betterment Fund is admittedly inconsistent in theory with the unitary system of Colonial government but I am convinced of the urgent need of a temporary guarantee that the more backward community shall get a fair share from central funds during the present period of unequal racial needs and political representation.

(f) Page 38 Para 11.

Taxation is low compared with that of the Non-Native and in our Section D we have shown that **The proportion of revenue at present spent on Native services is very generous.**

Thus there is no justification for the institution of the Fund.

24. A matter which apparently carried great weight in the mind of the Financial Commissioner was the presumed "Insufficient Provision in 1931 for backward areas" He says ".....I am satisfied that it is not fair to give back to such poor districts so small a proportion of the taxation which they raise" (g) as we have shown in our Para 2 This conclusion was apparently based on incorrect evidence.

Another consideration which weighed with the Financial Commissioner was that of contributions to Native Councils. (h) We have pointed out in our Paras 4 to 6 that **The view he took of these was not justified** and our opinion is supported by the expression "claim to special direct services" in Para 71 (f)

25. From the above it is seen that the institution of a **Native Betterment Fund is neither desirable nor necessary**: nevertheless we wish to criticise some of the detailed proposals.

The Financial Commissioner says ".....it is just that a certain fixed proportion of the present yield of tax, together with a share of any future increments should be devoted to services for native betterment" (i) and reports that, in the long run 30% of the annual direct native taxation should be paid to the Fund but that, to avoid fluctuations, the contribution should be based on 6 year averages. (j) Under the

(g) Page 41 Para 77.

(h) Page 41 Bottom, Para 78

To reinstate the provision for the major services merely at the level of 1931 would however afford no set off for the practice which has recently developed whereby Local Native Councils have begun to make large contributions for services owing to insufficiency of Government grants, although such grants are given to defray the whole cost of analogous services in settled areas.

(i) Page 37 Para 68.

(j) Page 40 Middle, Para 76.

I recommend that statutory provision should be made for the payment into the Native Betterment Fund of half the average annual yield of native direct taxation for the previous six years for which final figures are available.....

six years average because revenue from the hut and poll tax varies considerably from year to year according to the yield of native crops.

present conditions of falling revenue (k) this would involve a large contribution (l) from the revenue devoted to Indivisive Services which he suggests should be borne by the non native communities.

It appears to us that the only just scheme, if such a fund is created, is for the deficit to be made up by a loan from the Colonial Development Fund or otherwise (m) until such time as a balance can be built up from savings, the interest on such loans to be chargeable against the Fund.

Reference is made (n) to possible increased wealth or yield of taxation, we presume that the same principles apply in a contrary sense, to decreases.

We do not consider the principles laid down for the finance of the Native Betterment Fund (o) to be either

\* Page 117

#### Revenue Figures 1926-1931

	1926	1927	1928	1929	1930	1931
Customs	741,374	830,550	945,282	949,725	815,286	698,584

(l) Page 42 Top, Para 79

The 50 per cent average figure of £279,598 for next year would give a margin of £8,644 over the annual 1931 expenditure.

m. Page 42 Middle, Para 80

Although the grant of 50 per cent of the yield of direct native taxation should cover ordinary expenditure on the betterment services, cases may arise in future where provision of loan money from the Colonial Development fund or other sources may be justified.

(n) Page 37 Para 68 As development takes place, however, the yield of native taxation will show a natural increase.....

Page 43 Top, Para 81 End .....if.....native wealth and the yield of their taxation so increase as to make this admittedly arbitrary apportionment no longer appropriate the matter should be reconsidered.

(o) Page 113 Appendix 7

(a) That no part of Head Office Administration charges be paid from the Native Betterment Fund.

(d) That the cost of all reliefs, pensions, leave pay, and passages be borne on the general budget.

(h) Generally, that expenditure from the Native Betterment Fund should be confined to direct services and that all indirect expenditure should be met from general revenue towards which the native community contributes.

just or reasonable. Especially the cost of the Native Betterment Committee should be a charge on the fund.

26 In conclusion

(a) We are entirely opposed on general grounds to the institution of such a fund, the justification for which has been shown to be non-existent or based on misapprehensions but

(b) should it be insisted upon we appeal to the principle of "no racial discrimination" to support our claim that similar funds be instituted for European and Asian direct services, and that the same proportion of European and Asian total taxation as that of Native total taxation be paid annually to these funds.

27

#### I Various

We are of opinion that any change in the basis of native taxation should only be introduced after very careful consideration and with the assurance that it would not lead to a fall in revenue from this source. We question the wisdom of the Native Cultivation tax on the following grounds:—

(a) it would appear to involve a danger of discouraging native cultivation.

(b) the assessment would be unsatisfactory and very expensive.

Considering the large contribution the Coffee Industry makes to revenue, directly and indirectly, we do not consider the expenditure of £8,000 on Coffee research excessive. (p)

We protest strongly against the suggestion that employers should be forced by law to lend money for taxes to natives, nor would we agree to act as unpaid valuers and tax collectors for Government. (q)

We deprecate the Financial Commissioner questioning

(p) Page 35 Para 64.

.....about £8,000 a year is being spent on coffee research. This figure is large in proportion to the total vote for the Scott Agricultural Laboratories of £11,354.

(q) Page 113

8. It shall be the duty of employers to send valuations of squatters' holdings and livestock to the District Officer, who shall satisfy himself that they are reasonable. Employers shall be under statutory obligation to pay the cultivation and livestock taxes and to recover from the squatter by deduction from wages.

(r) Page 52 Top, Para 102 End.

I do not anticipate that it will be possible to find any very large

present conditions of falling revenue (k), this would involve a large contribution (l) from the revenue devoted to Indivisible Services which he suggests should be borne by the non native communities.

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(r) Page 52 Top, Para 102 End.

I do not anticipate that it will be possible to find any very large

the possibility of any substantial economies before the Expenditure Advisory Committee has completed its labours. (r)

To maintain that expenditure on Native Betterment must be maintained at a certain increased level (s) irrespective of the revenue of the Colony is ~~unsound finance~~ unless the Imperial Government (which claims to be responsible for native interests) is prepared to give such extra funds as the Colony can not be fairly asked to supply

We do not deny the possibility that a readjustment of taxation is necessary but maintain that the Financial Commissioner's recommendations are not "to restore the cargo" of taxation but to increase the storm (of Expenditure) and take more cargo on board. (t)

Note: We do not wish it to be assumed that, because we have not commented on certain minor matters, we are necessarily in agreement with the Financial Commissioner concerning them

We feel confident that, had the Financial Commissioner had sufficient time to obtain complete evidence and acquaint himself with local conditions, his recommendations would have been considerably modified.

28. In Conclusion we wish to thank the Financial Commissioner, Lord Moyne, for his appreciation of the very happy inter racial situation in Kenya. (u) We should regard such remarks as unnecessary were it not for the misrepresenta-

new economy especially as about half the field of public expenditure is covered by irreducible services including public dept, pensions, and provision for the Native Betterment Fund, and scope for retrenchment is therefore definitely limited.

- a) Page 52 Para 102.
- b) About half the field of public expenditure is covered by irreducible services including.....the Native Betterment Fund.....
- c) Page 58 Top, Para 115.

**Need for fresh Taxation.**

Even in a storm it is sometimes necessary to restore the cargo, and in the heaviest weather it is imperative at least to stop the leak of an unbalanced financial system.

- u. Page 5 Middle, Para 5.
- .....my observations fully accord with the statement of the Chief Native Commissioner given at the end of his Annual Report for 1930:—
- "Members of the general public have shown a consistent and in-

tions and columns which sometimes appear in the English Press

creasing interest in all that concerns native welfare. Probably nowhere in the world are relations between employers and employed better than in Kenya. But apart from that the concern of the official population for the development of native communities has manifested itself in many and diverse ways and is a particularly noteworthy factor in the social and political life of the Colony, and one which I am glad to be able unreservedly to acknowledge"

P.T.O.

**ADDENDA and ERRATA**

- Page 1 Notes a) add Page 1 bottom and Page 2 top
- Page 2 Notes b) add Page 1  
c) add Page 41 Para 77  
d) add Page 93 bottom
- Page 6 Line 14 for added read adduced
- Page 7 Notes (y) omit three lines
- Page 10 Notes (d) add see note (t) on our Page 3
- Page 11 Line 39 for improvement read impoverishment
- Page 12 Line 11 for taxation read taxonomic
- Page 18 Line 5 for extension read extension  
Line 37 omit full stop



## SUMMARY OF CONTENTS.

- Part A. Points out some contradictions in the evidence and criticizes the allocation of Revenue and Expenditure, showing that, relatively, the European revenue is underestimated and the European services over-estimated.
- Part B. Shows that, even with the Financial Commissioner's allocations, taking averages, the tax paid by a family of three is, for Europeans, equal to more than four months salary, but for natives only one and one third months pay.
- Part C. Shows that both Europeans and natives subscribe to provide services not supplied by Government, but that natives make this contribution to Local Native Councils.
- Part D. Shows that, even with services for officials only (e. g. Medical) included under "European direct services" non-natives received in these Services £95,973 less and natives £94,000 more than their equal proportion of revenue subscribed; and brings evidence to refute the Financial Commissioner's statement that "Indivisible" services are largely in the interest of non-natives.
- Part E. Shows that all evidence in the Report points to the fact that Europeans are even less able than natives to bear increased taxation, the Financial Commissioner's conclusion being contrary to the evidence.
- Part F. Shows that the views expressed regarding Local Government are entirely unsupported.
- Part G. Shows that to cut down the service of European education would be unwise and unjust.
- Part H. Shows that the reasons given for starting a Native Betterment Fund—viz. heavy native taxation and danger of unfair treatment with regard to direct services—are non-existent (see Part B, and Part D); argues that it would be unjust to force non-natives to increase their contribution to native services; claims that if such a fund be started, similar ones should be started for non-natives.



Extract from a letter from the Secretary of State to Sir Samuel Wilson, dated the 18th August

2. I am sorry that Hume is having further trouble with his Elected members. In the matter of Income Tax he will not only have my complete support, but both he and they will know that it is the unanimous view of the House of Commons that Moyne's Report should be implemented. I am securing increased preference on coffee, which ought to be an encouragement when we are able to publish the details, and there is also a new preference on flat white maize.

*Interest on Income Tax pp.*

*Notes on General pp.*

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*Entered on  
Income Tax  
pp.*

*Went on  
General  
pp.*

OFFICIAL



REPORT.

# Parliamentary Debates

HOUSE OF COMMONS.

Vol. 287. No. 124.

FRIDAY, 1st JULY, 1932.

## Contents.

### SUPPLY [13th ALLOTTED DAY—SECOND PART]:

Considered in Committee:

Civil Supplies, 1932:

Colonial Office.

Colonial and Middle Eastern Services.

### RATING AND VALUATION (No. 2) BILL [Lords]:

Not presented (in the Standing Committee), considered; read the third time.

LONDON:

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## HOUSE OF COMMONS.

Friday, 1st July, 1932.

## [OFFICIAL REPORT.]

The House met at Eleven of the Clock  
MR. SPEAKER in the Chair

## NEW WRIT

For the County of Cornwall (Northern Division), in the room of the Right Hon Sir Donald Maclean, K B E., deceased  
—[Mr. Rea.]

## PRIVATE BUSINESS

Gateshead Extension Bill.

Lords Amendments considered, and agreed to.

Weston-super-Mare Grand Pier Bill [Lords],—(King's Consent signified),

Bill read the Third time, and passed with Amendments.

Metropolitan Water Board Bill [Lords]

As amended, considered; to be read the Third time.

Ministry of Health Provisional Order Confirmation (Hertford) Bill [Lords]

Read the Third time, and passed, with out Amendment.

Ministry of Health Provisional Orders Confirmation (Elham Valley Water and Herts and Essex Water) Bill [Lords],

Ministry of Health Provisional Order Confirmation (Hailsham Water) Bill [Lords],

Ministry of Health Provisional Order Confirmation (Henley - on - Thames Water) Bill [Lords],

As amended, considered; to be read the Third time upon Monday next.

Leven Burgh Extension Order Confirmation Bill [Lords],

Considered; to be read the Third time upon Monday next.

No. 124

Kilmarnock Gas Provisional Order (No. 2) Bill

Read a Second time, and ordered under Sections 9 and 16 of the Private Legislation Procedure (Scotland) Act, 1999) to be considered upon Monday next.

Public Works Facilities Scheme (Shrewsbury Corporation) Bill.

to confirm a Scheme made by the Minister of Health under the Public Works Facilities Act, 1930, relating to the Shrewsbury Corporation, presented by Sir Hilton Young, and ordered under Section 1 (9) of the Act) to be considered upon Monday next, and to be printed Bill 115.

## ORAL ANSWER TO QUESTION.

## IRISH FREE STATE (LAND ANNUITIES)

Sir ASSHETON POWNALL asked the Chancellor of the Exchequer if the £1,500,000 half-yearly instalment of Irish land annuities due on 30th June has been paid?

The FINANCIAL SECRETARY to the TREASURY (Major Elliot) No payment has been received from the Irish Free State in respect of the half yearly instalment of the Irish Land Annuities due to be paid to the National Debt Commissioners before the end of last month.

## MESSAGE FROM THE LORDS

That they have agreed to

Amendments to

Patents and Designs Bill [Lords], without Amendment

That they have passed a Bill, intituled, "An Act to amend the constitution of Malta and to remove doubts as to the validity of certain letters patent and other enactments relating to Malta." [Malta Constitution Bill [Lords]]

And also, a Bill, intituled, "An Act to include offences in relation to dangerous drugs, and attempts to commit such offences, among extradition crimes." [Extradition Bill [Lords].]

**Malta Constitution Bill [Lords].**  
 Read the First time; to be read a Second time upon Monday next, and to be printed. [Bill 116.]

**Extradition Bill [Lords].**  
 Read the First time; to be read a Second time upon Monday next, and to be printed. [Bill 117.]

get over the difficulty, but before the necessary steps could be taken the cage slipped off the girder and fell to the bottom of the shaft, the three persons then in it being killed. I propose to await the report of the inquest before deciding whether any further inquiry would be of value.

**WRITTEN ANSWERS.**

**CROWN PROPERTY (REPAIR).**  
**Mr. BRACKEN** asked the Minister of Agriculture whether his attention has been called to the dilapidated condition of No. 36, Kensington Square, the property of the Crown; and, in view of the historic interest attaching to this house, will he take steps to have it put and maintained in good order and repair?

**Sir J. GILMOUR:** The lease of this house contains the usual repairing covenants, and the external painting is due to be done next year. Meanwhile, I am advised that the condition of the premises is not such as to justify any action by the Commissioners of Crown Lands.

**ROYAL NAVY (OFFICERS' PENSIONS).**  
**Mr. HALL-CAINE**, asked the First Lord of the Admiralty, whether, as the present pensions of naval officers were based partly on the cost-of-living figure, as calculated by the Ministry of Labour, and as this cost-of-living figure does not properly represent the living costs of retired officers, he will consider the advisability of evolving a special cost-of-living figure which will fairly reflect such costs?

**Sir B. EYRES MONSELL:** No, Sir, as the Ministry of Labour cost-of-living index figure affects the remuneration of public servants generally, retired Naval officers cannot be regarded as a class having a claim for separate treatment in this respect.

**COLLIERY ACCIDENT, DURHAM.**  
**Mr. LAWSON** asked the Secretary for Mines if he has any information concerning the accident at Pelton Fell Colliery, Durham, whereby three men lost their lives on Tuesday last by the cage falling down the shaft; and whether he proposes to have an official inquiry into this accident?

**TRADE AND COMMERCE (EXPORTS).**  
**Mr. T. WILLIAMS**, asked the President of the Board of Trade, the total value of exports from Great Britain and Northern Ireland for the 10 years ended 31st December, 1931, respectively, to the Irish Free State, British India, Belgium, Denmark, Italy, the Netherlands, and Sweden; and the purchases per head of population by these countries, respectively, during the same period?

**Mr. ISAAC FOOT:** I have received a preliminary report from the divisional inspector on the regrettable accident at Pelton Fell Colliery, Durham, on Tuesday last. It appears that the second outlet shaft (which is only used on rare occasions) was being used on that day by a small party of officials. During the lowering of the cage from a mid inset it caught and was suspended on the flange of a girder which supported the platform at the mid inset. The rope continued to be paid out and slack rope accumulated on the cage top and in the shaft. After a short interval an attempt was made to

**Mr. HORE-BELISHA:** It is not possible to give complete particulars for the 10 years ended 31st December, 1931, as trade between the United Kingdom and the Irish Free State was not separately recorded prior to 1st April, 1923, but was part of the internal trade of the United Kingdom. The following table shows the aggregate declared value of the domestic exports of merchandise from the United Kingdom consigned to the countries specified during the years 1924 to 1931, together with the value per head of the population of the importing country.

Exports of produce and manufactures of the United Kingdom.

Country to which consigned.	Declared Value.	Value per head of population of importing country.		
		£	s.	d.
Irish Free State	294,558	99	8	3
British India	596,801	1	15	3
Belgium	133,540	16	16	11
Denmark	82,578	23	14	2
Italy	114,598	2	16	4
Netherlands	165,347	21	13	8
Sweden	81,225	13	6	11

**CROWN LAND, FOREST OF DEAN (SALES).**

**Mr. RHYS DAVIES** asked the honourable Member for Rye as representing the Forestry Commissioners, how many plots of land for house-building purposes have been sold on the Crown land of the Forest of Dean; the average price per plot; and whether the Commissioners have any definite planning for this purpose for the future?

**Sir G. COURTHOPE:** During the past five years 177 plots of land have been sold at an average price of £96 per plot and 19s. 6d. per perch. The Forestry Commissioners have no definite information as to how many of these plots have been used for house-building purposes. Consideration is given from time to time to the question of planning house-building development on definite blocks of land, and endeavours have been, and are being made to clear up the small isolated plots surrounded or partly surrounded by private property.

**Sir H. YOUNG:** The average Exchequer contribution up to 1930 is estimated at about 13s. per house per week.

**POOR LAW RELIEF, LANCASHIRE.**

**Mr. G. MACDONALD** asked the Minister of Health the number of persons in receipt of outdoor public assistance in the administrative county of Lancashire on 15th November, 1931, and at the latest date at which figures are available; and similar information for Wigan and St. Helens?

**Sir H. YOUNG:** The numbers of persons (men, women and children) in receipt of domiciliary poor relief in the areas mentioned on Saturday, 14th November, 1931, and on Saturday, 15th June, 1932 (the latest date for which figures are available) were as follows. Persons in receipt of domiciliary medical relief only are not included.

**HOUSING (EXOCHAEQUER CONTRIBUTION).**

**Mr. L. SMITH** asked the Minister of Health what will be the approximate average Exchequer contribution per week up to 1930 in respect of each house built under the Housing Act, 1919, provided no alteration is made in present contractual arrangements?

	14th Nov., 1931.	15th June, 1932.
Administrative County of Lancaster	18,661	23,256
Wigan County Borough	2,496	2,904
St. Helens County Borough.	3,293	4,286

## ORDERS OF THE DAY.

## SUPPLY.

[13th ALLOTTED DAY.—SPOON PART.]

Considered in Committee.

[Captain BOURNE in the Chair.]

CIVIL ESTIMATES, 1932.

## CLASS II.

## COLONIAL OFFICE.

Motion made, and Question proposed,

"That a sum, not exceeding £97,576, be granted to His Majesty, to complete the sum necessary to defray the Charge which will come in course of payment during the year ending on the 31st day of March, 1933, for the Salaries and Expenses of the Department of His Majesty's Secretary of State for the Colonies."

Mr. LUNN: I suppose it would be impossible for us to live every day in the midst of sensations such as we had yesterday on the Irish question and the War Loan Conversion question, and so to-day, I take it, we shall come down to a placid discussion of administration in the Colonies. When we discussed the Colonial Office Estimates on the 22nd April, the Secretary of State for the Colonies gave a general review of the administration of the Colonial Empire by his department, but I think it was generally agreed that one day was not sufficient, in discussing the Colonial Estimates, to cover adequately all matters affecting the Colonies. That position was taken up very strongly by my right hon. and gallant Friend the Member for Newcastle-under-Lyme (Colonel Wedgwood). I may remind the Committee that the Colonies cover an area of 8,000,000 square miles, and have a population of not less than 50,000,000 people. There are very many of them, but three-fourths of their area and four-fifths of their population are in tropical Africa, and we are concerned, not only with their economic development, but with the health of the people and of animals and with all forms of education of the people. Therefore, I make no apology for coming back to this subject on a further day in the present Session.

I do not desire to repeat what I said on the last occasion, but there is one thing that I must say, and that is that we are profoundly disappointed at the constitution of the Morris Carter Commis-

sion which is to inquire into the land question in Kenya. In my opinion, this Commission is overloaded in the interests of the settlers, and we asked on the last occasion, and we ask now, that there should be placed upon it a representative of native interests. It is not sufficient to say, as the Under-Secretary of State for the Colonies said then, that these gentlemen are British and have a sense of fair play which we hope is inherent in all Englishmen. That may be so, but what we want is confidence, and the best way to secure confidence and co-operation would be to give some form of representation to that part of the population which forms four-fifths of the people concerned with the conclusions of this Commission. We hope it is not yet too late for the Secretary of State to remedy this defect, which, we believe, were the present Government a really National Government, we should not have to raise in this manner in the House.

There have been so many Commissions to East Africa, and so many reports, that only an expert in Colonial affairs can keep up with them. There seem to have been so many omissions from the Commissions' reports that commission and mission and committee and reports are never-ending. Within the last few days we have received a report of 123 pages by Lord Moyne, who has been out to East Africa as a financial commissioner. Many of us here know Lord Moyne. We remember him as Mr. Walter Guinness when he was a Member of the House, and we remember him as a Minister, and I should be the last to criticise his ability or his suitability for the inquiry which he has just completed. He had to make recommendations for the adjustment of taxation and expenditure, and he has done so. It would be impossible for me on this occasion to deal with all the points to which he refers in what I may say is a good report, but I should like to call attention to some of the things that he says. In paragraph 1 he says:

"I have understood it to be the main purpose of my inquiry to satisfy the anxiety of Parliament that a fair balance of taxation and benefits be achieved between the various racial communities";

and in paragraph 3 he says:

"In approaching this inquiry, an attempt must necessarily be made to interpret the principle of responsibility for the natives as it would be, had the objective to which policy for native affairs should be

directed is a general improvement of the standard of native life."

He then sets out to discuss the question of taxation in various forms. He makes recommendations as to changes in the hut tax and the poll tax, and in the taxation of widows; but I wonder how many of us would agree with him when he says that wives are a very popular form of capital investment. He suggests reductions in certain railway freight charges and certain import duties, and he urges that a native betterment committee should be set up to co-ordinate native services, such as education, health, agriculture and roads, with a separate fund. He never fails to let you know that taxation is very unfairly levied on the natives and that, in all the economies, they have had to bear the lion's share, sometimes, he feared with possible danger to the health and well-being of the native community. He favours the levying of an Income Tax in Kenya. I should like to quote again what he says in paragraphs 116 and 118:

"I am opposed to the conclusion that fresh taxation is called for. It can be imposed in a well defined form which need involve no serious hardship. Increased burdens cannot with any justice be borne by the native population and, if imposed, they should be graduated according to the ability to pay. The comparison of the burden of non-native taxation in Kenya with that borne by taxpayers in other countries is indeed striking. These advanced countries and communities have had to maintain their subsistence by adding still further to the burden of direct and indirect taxation which had already increased to an enormous extent. The native population in Kenya are in the probably unparalleled position among civilised nations of bearing so direct taxation at all beyond a male poll tax of 20s., a male education tax of 2s. or 30s., and a comparatively small scale of death duties. The resources of direct taxation in some degree proportionate to the means of the taxpayer is, therefore, at present practically unobtainable. The budgetary balance could be restored by a relatively low tax on incomes."

These are some of the recommendations that I call attention to. There are many other matters which I will leave to other hon. Members who have devoted any time to the study of what is an excellent report to deal with. I would particularly invite the serious consideration of the Secretary of State to it, and I hope he will see that some of the conditions that are laid down are put into operation.

I also wish to raise the conditions of labour in the Colonies and Labour

organisation and administration. I believe there ought to be a well equipped Labour Department in every Colony. Development in some parts has been going ahead, and systems which were in operation in the past are now quite inadequate. In some Colonies there is not an abundance of human labour. That may seem striking with the large number of unemployed that we have in this country, but it is a fact. We should not have men carrying road metal or water for long distances on their heads, nor should road surfacing be done by human rollers in the form of hand rammers, as is the case to-day. We ought to have got beyond methods such as those. They are too antiquated. Mechanical means should be encouraged more than they have been in the past. If there were an efficient Labour Commissioner with a staff in each Colony, they would see that necessary work properly planned, that labour was recruited at the most suitable seasons, that the health housing, food and wellbeing of the workers were looked after as they should be and that wages were paid not as in some cases now when natives have had no pay for months for the work that they have completed.

I should like to ask if these things are inquired into in any way and how the various tribes supplying labour are affected by the habit of wage earning? Is there any compulsion or forced labour in the Colonies? Is there any medical examination of recruits on engagement and at the end of their task to see what is their physical condition? I understand that in French and Belgian territories vital statistics regarding feeding and health and allowable recruiting are kept. Where can I find any such statistics in any part of the British Colonies? I should like to ask the right hon. Gentleman if he is aware that, even when labour has been obtained, arrears of wages are assuming great proportions? Does he know of any prosecutions of offenders? I should like to ask him if he would consider copying generally the legal provisions laid down in the Nyasaland Ordinance which makes the employment of natives without adequate means of payment punishable by a fine of £100 or one year's imprisonment. I ask the right hon. Gentleman to have these matters seen to at the earliest possible moment.



[Mr. Lunn.]

I should like to ask how many of the staff of the Colonial Office are going to Ottawa and for what purpose the right hon. Gentleman himself is going. Does he know that Colonial questions are not to be discussed there, and will he tell the Committee what he believes it is possible to come out of that Conference in the interests of the Colonies? I think we have a right to know more to-day than we have been told up to now. I noticed the question that was answered yesterday but there was nothing very much in it as to what is the purpose of representation of the Colonies at the Ottawa Conference.

The SECRETARY OF STATE for the COLONIES (Sir Philip Cunliffe-Lister): The hon. Gentleman is rather suggesting that something is being concealed from the House. The Lord President, in his speech at the end of the last debate, stated with fullness and precision the whole of the preparations that have been made and the proposals that have been put forward.

MR. LUNN: I am quite well aware of the correspondence that has taken place but I feel that something more is needed than simply the statement that the Colonies have been communicated with on the matter and that the right hon. Gentleman is going to represent them there. We might be given some idea as to how they will come into the discussions at the Conference and what benefits are likely to accrue to them.

My last point is regarding the trade union organisation of postal workers in Palestine. These workers have been organised along with railwaymen in the past and they are affiliated to the International Transport Workers Federation and the Jewish Federation of Labour in Palestine. This organisation is a joint Jewish-Arab union, and I should have thought that the right hon. Gentleman and the Government would have encouraged this brotherhood of the two peoples in the interests of peace and amity amongst the two communities, but I understand that the Government, with the approval of the Secretary of State, has laid down conditions of trade union organisation which mean a breakup of the present organisation and are much regretted by the workers generally. I have the conditions here and the letter

of the Postmaster General and I say, as a trade unionist, that they are conditions that I should oppose being imposed upon me, and I do not believe they should be inflicted on any British subjects. They are to be allowed, I understand, to join a sick club but the limitations and regulations laid down for a trade union are ridiculously restricted and take away all ideas of liberty and freedom to combine to protect their conditions and to unite with their fellow workers. The right hon. Gentleman ought to withdraw those regulations and give every encouragement to the mixing of Jews and Arabs in Palestine in the interests of harmony among the two races.

Finally, I emphasise the fact that the Labour Party are concerned with the good government of all parts of the Colonial Empire equally at least with any other party in this House. We wish to encourage the development of those areas, to improve and preserve life and to make for human progress. We are opposed to the exploitation of cheap native labour, but we hope that we may be considered considerate of everything which will help in the economic and moral well-being of all who have to spend their lives in the various parts of the Colonial Empire.

MR. AMERY: The hon. Member for Rothwell (Mr. Lunn) has raised some questions with which I had better leave the Secretary of State to deal, but he has raised one broad general issue connected with East Africa, or more particularly with Kenya, on which I should like to make a few observations. This House appointed a little over a year ago a Select Committee which reviewed the whole problem of East Africa, and succeeded in arriving at a unanimous report, not an easy thing to do in view either of the composition of the Committee or of the varied schools of thought represented on it. In its broad treatment of the whole relationship of the settler community with the other communities in East Africa, the report has commanded general assent everywhere and ought, I think, to put an end to controversy. With regard to the question of closer union between the different colonies in East Africa, the report took the view, with which I fully concurred, that at the present moment anything in the nature of a formal constitutional union is not practicable.

I would, however, point out that the report laid great stress upon the desirability of co-operation and emphasised the great importance attached to the Governors' Conference as the practical medium through which that closer co-operation should be exercised. It regarded the Conference as something in the nature of a body in more or less permanent session and not as a mere occasional and casual meeting of governors. It suggested that the Conference should meet as often as twice a year and also that its corporate character should be emphasised, not only by a permanent secretariat, but by the attachment to it of a permanent adviser on railway policy, because continuity and unity in railway policy is perhaps the most important aspect of unity in this stage of East Africa's development. I confess to a little anxiety as to whether that positive aspect of our recommendations has been given quite as much weight recently as the more negative aspect. I

11.30 a.m. am a little sorry that

Secretary of State did not find it possible to appoint a permanent railway adviser, but has only asked for a report, which, I have no doubt, will be very useful but will not, I think, altogether serve the same purpose. From the reports which have reached me, I gather that the tendency of the recent Governors' Conference was to regard it as a mere meeting of governors, and not quite enough as that central co-ordinating body on East African affairs which one would like to see. However, these are matters which will naturally evolve with time, and I am not in any sense criticising adversely the line which has been taken so far, but only indicating the hope that the Governors' Conference should be made as effective a body as possible.

I now turn back to the criticisms of the hon. Member for Rothwell. I confess that I rather regret his criticism of the Morris Carter Commission. Sir William Morris Carter is a man not only of the highest standard of impartiality, but of great experience in this particular kind of work and one whose broad sympathy with native interests I should have thought no one would have doubted; and in Mr. Hemsted, at any rate, you have an old Chief Commissioner, and I do not think that it has ever been suggested that the chief of the Commissioners of public services in East Africa have not

steadily and consistently championed the native interests where their interests have been in conflict with those of the settlers. I now turn to the Moyne Report, and I am glad that the hon. Member thinks that the Moyne Report is good. I think that it is more than good: It is an extraordinarily fair, understanding, practical and wise report, and all the more interesting because it is so essentially unpretentious in its statement of the problem. It shows a real human understanding of the native situation which is found in very few reports dealing with similar problems. Lord Moyne has pointed out how infinitely better the lot of the native is to-day than it was before

"Whereas he lived in constant fear,"—

I am quoting his words.

"of famine, slavery, and violent death he to-day enjoys liberty and security and in varying degrees improved health, and a higher standard of life."

He also points out the good feeling generally between settlers and natives. At the same time he freely admits, and rightly emphasises, the fact that on the whole the native of Kenya is still far poorer and less advanced than we would wish, and makes practical and helpful suggestions for improving his position. In the same way he disposes of the vague general charges of deliberate unfairness in the incidence of customs charges and railway rates and in railway construction as against the natives. Where he does find a practical unfairness, as for instance, in the railway charges on cotton goods and blankets, he clearly points the need for correction.

In the same way, the figures he gives as to the contribution and experience by the different sections of the community do not suggest anything in the nature of the overtaxation of the native in the interests of the white people. The white community, according to the figures, pays very nearly £200,000 a year towards the common services. That is to say, 75 per cent. of the taxation levied on the white community goes to common services and only 25 per cent. to the specific needs of the white community, whereas of the taxation of the natives, 45 per cent. goes to their own immediate needs and only 55 per cent. to the common services. Even so, it is true that the natives are more heavily taxed than we should like to see them taxed, but are we to sacrifice the whole fabric of the civilisation which we are

[Mr. Amery.]  
 trying to build up in East Africa in order to give an immediate remission of taxation! There, again, Lord Moyne makes important suggestions on two or three points. He thinks that in the present financial position the Government of Kenya has made certain reductions of expenditure which unfairly press upon native development, and he earnestly deprecates excessive economies, which he thinks have already been taken place, in regard to native medical services, native education and the work of research where it specially benefits native agricultural development.

Lord Moyne makes some thoroughly practical suggestions with regard to the hut tax and the poll tax, whilst realising that certain total revenue has for the time being to be maintained. We are dealing with the existing situation and the existing native habits and he suggests, first of all, a greater flexibility in the levying of the hut tax and the poll and a method of collecting the two taxes which will be fairer and easier to the natives as well as more convenient to the administration, looking forward to a gradual change from the hut tax, which is primarily a wife tax, including a livestock tax, and ultimately replacing it by a cultivation tax. At the same time he is working on the right lines in his recognition of the practical considerations imposed by the actual situation. He points out very truly that under present East African conditions wives are still a very popular form of investment. He indicates the possibility of what I might to-day call a conversion scheme, and that with the spread of monogamy cattle and crops might gradually be exchanged, not compulsion—again following the Chancellor of the Exchequer's example—but gradually and voluntarily, for wives as the basis of investment.

Lord Moyne also deals with certain other essential and vital problems. The Select Committee suggested the great importance of making sure that native interests and native development were safeguarded by the special allocation of funds. Their recommendation was that the chief native commissioner's estimates should be outside the purview of the Estimates Committee. Lord Moyne suggests, and I am by no means sure that it is not a better plan, the establishment of a native betterment fund to which half of

the average yield of native taxation should be devoted and which should be used by the council dealing with the fund for grants-in-aid to encourage the admirable work that is being done through the native councils and in allocation to various services, so gradually building up a stronger and healthier life and higher standards of living for the native community without in any sense breaking into the general unity of the administration. I think that is a very sound suggestion. I would only add one qualification, and that is that while it is in every way desirable to help the technical services for the benefit of the natives, nothing means more to the native in his daily life than the efficiency, the capacity and the sympathy of the ordinary administrative officers, who are his best friends and helpers. Those officers should be firmly cut down in numbers, and the conditions of service should allow them to remain sufficiently long in their own districts to acquire the vernacular, thereby getting a real understanding and sympathy with their people, which is a fundamental condition of native welfare.

I confess that I was a little surprised that the hon. Member for the Rothwell Division (Mr. Lunn), who has worked at the Colonial Office, should seem to think that there was no organisation in the Colonies watching over the needs of the natives, particularly in connection with labour conditions. I should have thought that three-quarters of the work of the Commissioners, especially of the native commissioners, in a Colony like Kenya were concentrated on seeing that the conditions of labour were properly carried out, and that contracts were fulfilled. I do not think that I have heard any charges of the native being defrauded of his pay or that the health of the natives has not been looked after. I seem to have a recollection of not a few papers dealing with the problems of native health. On the whole, whether the native prefers to work in the reserves or on the settlers' farms, he is better off on the settlers' farms from the point of view of diet than he usually is in the reserves. At any rate, he has a free choice in the matter.

As to his inquiry whether forced labour exists, I should have thought that a little study of the facts would have met that inquiry by eliciting the information that compulsory labour does not exist any-

where in the Colonial Empire, except for very limited communal purposes among the natives themselves, for local roads, immediate drainage purposes and so on. There, I entirely agree with Lord Moyne in deprecating the direct and universal abolition of a method which is customary, which meets their immediate needs in a way they understand, and which involves far less hardship than the raising of sums of money under the present price conditions, which would make it very difficult indeed. Another point that Lord Moyne has made is the importance of effective financial control in the Kenya administration. I think there is great force in what he says as to the desirability of the Colonial Treasurer being effectively consulted at every stage in the framing of the Estimates. On the other hand, it is worth while remembering that the Colonial system is not quite the same as our Parliamentary system here. The Colonial Secretary occupies a higher and more responsible position and it would be a mistake to do anything that would weaken that responsibility.

Lastly he recognises as necessary in the present financial situation the imposition of some form of Income Tax in Kenya. No one who reads the report will dispute the justice of that conclusion. There is no reason to suppose that any community in Kenya, face to face with all the problems of the time and the efforts made here and in every part of the Empire to maintain solvency, would begrudge some contribution of a direct character to the maintenance of the general administration of the Colony. That is all I have to say on the subject of East Africa.

May I say a few words on the position in Malta; I would begin by congratulating my right hon. Friend on his handling of a very difficult and delicate situation. It is a very good thing that he has managed to create conditions under which an election has been held. The local results of that election are naturally matters which the Maltese must decide for themselves. There is no partisanship in this House as between one Maltese party or another. On the other hand, I think it is essential that the fundamental conditions laid down for the restoration of self-government in Malta should be observed, and I trust, in the interests of the children of Malta and the future political peace of the island, that the Secre-

tary of State will stand absolutely firm on the line he has taken and will not be deflected by any representations which may be made to him. After all, could anything be more absurd from an educational point of view than that children in the elementary schools in Malta, in addition to learning their own native tongue, should be compelled simultaneously to learn two foreign languages, differing widely from each other in structure, pronunciation and character, and differing even more widely from their own native tongue! Would anyone suggest that we could make any educational progress in this country if our children had to learn simultaneously two languages differing as widely as French and Japanese? They cannot have any chance under such conditions.

In view of the position which the Italian language has occupied in the history of the island and in the legal profession and the Church, there is a perfectly natural case for including Italian in the curriculum of those who are going to take up a more literary education or to enter the Church or the law and the learned professions. I understand that Italian is to continue to be taught in the secondary schools. They will learn Italian all the better and more quickly having learned one other foreign language first and for having got a good general education, instead of for political reasons being set the impossible task of trying to learn two foreign languages simultaneously while they are learning simultaneously the rudiments of three. As far as their alphabet and agricultural classes as the manual and agricultural classes are concerned, so far as any foreign language is of use to any of them, their employment at the dockyards or big industrial establishments, or when they can get opportunities in Dominions, where they make such admirable settlers, the only reasonable chance of succeeding is if they know English.

All these considerations, obviously, make for English as the first language for the working classes of Malta to learn, and judging by the views they have expressed in the past when they were given an opportunity to decide this question by itself, not mixed up with politics generally, they had by an overwhelming majority decided in favour of English. Nor can I imagine that any good natured yielding on this question at this moment would ensure permanent

[Mr. Amery.] All it would do would be to preserve this language question as the main subject of political controversy in election after election, whereas there is a hope, if the Secretary of State makes the position perfectly clear, as I think he has already done, that politics in Malta may begin to turn on economic and other practical issues which more vitally concern the people of Malta. I trust that he will leave Maltese Ministers under no misapprehension on that point and make it perfectly clear that there is no question either of a former reversal of his decision or of any disregard or evasion of the conditions under which self-government has been restored.

Sir P. CUNLIFFE-LISTER: Let me tell my right hon. Friend at once that I have made that most abundantly plain.

Mr. AMERY: I am very glad to have that assurance. Indeed, I put the question having no doubt in my mind as to the answer. I should like to make one or two observations on the general problems before the Colonial Empire at the moment, and specially with regard to the Ottawa Conference. The hon. Member on the other side of the House gave us figures as to the extent and importance of the Colonial Empire. It is gradually emerging as by no means the least important part of the British Commonwealth. In trade it is now comparable to the Empire of India and in latent possibilities it may some day even exceed India or any single Dominion in trade, productive capacity and in wealth. It is also from the point of view of a harmonious and balanced system of production and finance an essential complement as a tropical producer to the development of this country or the Dominions in temperate zones. Over and above that it has been and is to-day a wonderful field of work for our people in lifting and raising the standard of living of those for whom we are trustees. Looking back there is no task of recent years of which we can be more proud than what we have done in education in health and agricultural development for the masses of the native populations entrusted to our charge.

But the whole of this great work is in peril owing to the catastrophic fall in the prices of primary products, which has

broUGHT every colony almost to the verge of ruin. They have been confronted with the necessity for drastic retrenchments of one sort and another, which has often meant not only the disappearance of trained administrators, whose years of experience nothing can replace, but the cutting down of fruitful new experimental services, which Lord Moyne fastened upon in his Report. More than that, it imposes on every one of these Colonies a tremendous and excessive burden of debt. It seems to me that unless the splendid work of the last generation in the Colonial Empire is largely to be wasted, it is essential that the Secretary of State should secure for the Colonial Empire—he cannot secure it for the Colonial Empire alone—the restoration of a reasonable price level. There are special reasons why the Colonial Empire is entitled to consideration in this matter. The Colonial Empire has always honoured its obligations. However hard we have made the burden of their debts, acting in a way as involuntary Shylocks to our own wards, there has never been any question of not fulfilling punctually to the minute every obligation that any Colony has incurred. Again, the fact that practically the whole Colonial Empire is linked to sterling was of inestimable value to us when we went off the Gold Standard. It is that fact, coupled with the fact that India followed sterling, as well as other countries, that falsified all the alarmist predictions made about the danger of going off the Gold Standard. That insured the bulk of our supplies of raw material and of foodstuffs coming in at sterling prices.

Therefore, it seems to me that as the Colonial Empire has helped to make it possible for us to go off the Gold Standard and to maintain a sterling standard, so we have a corresponding obligation to the Colonies, as indeed to all the other members of the sterling partnership, to raise sterling prices to a level which will make it possible for them to pay their debts, to carry on their economic life and to continue on the sterling standard. I know that the Secretary of State goes to Ottawa technically as a member of the British Government, but actually and morally his primary obligations are to the peoples and Governments of the Colonial Empire, and I know how zealous a

champion he is of their interests. I only trust that both before he goes to Ottawa and at Ottawa his influence will be used, and his voice raised, in favour of a monetary policy which will make it possible for those Governments to carry on the splendid work which British administration has carried on in the past. I trust too, that he will be no less resolute in advocating the claim of the Colonial Empire to preference from the Empire as a whole. At present there are only two Dominions that in the measure really give preference to the Colonial Empire. They are New Zealand and Canada. South Africa, Australia and India give no preference, and there is in all those three Dominions a very wide field, without any interference with local production, in regard to which any of these Dominions could be made a field of favour to the Colonial producer. More than that, as the Dominions grow in importance, especially as they become industrial producers and as they become industrial producers and large consumers of luxuries, there will be an ever-growing market for tropical raw materials, fruits and foodstuffs.

There is a field that my right hon. Friend ought to stake out as soon as possible

Above all Canada, to whose development no-one can predict a limit, may very well in time become Africa's greatest customer and find in Africa one of her best markets. She already has given a lead among the Dominions by her Canadian-West Indian preferential policy. I hope that that will be supplemented and expanded to an even more effective Canadian Colonial Empire policy at Ottawa. If we are to secure from other Dominions generous preferences to the Colonies we must not be afraid of taking a lead ourselves. We have taken a lead in the complete freedom from the 10 per cent. duties, which is now in operation. But there are still other things that might be dealt with. Take coffee, for which there is a very fine market in Canada and South Africa. I hope that at Ottawa the Secretary for the Colonies will be able, when asking Canada and South Africa for a reasonable coffee preference, to assure them that we shall do the same. In the same way I think that a great deal may be done by a

simple, comprehensive, uniform and effective scheme of sugar preference.

I do not want to elaborate points of detail further. Just this we have to remember: All the Colonies are not at this moment free to reciprocate. Where they are free many of them have shown they are free only good will, but in preference have gone further than any part of the Dominions. The 50 per cent. preference of some of the West Indies, given to Empire produce, should be a lead to the Ottawa Conference. In other cases I have no doubt the Secretary of State will not fail to point out the advantages and to impress upon the Colonies the desirability of not being backward in their contribution to that general Empire development by which they stand to gain more than anyone else. On the other hand they are restricted by treaty obligations over a great part of Africa. In April last the Secretary of State referred to the fact that these treaties were framed originally from the point of view of our own interests as well as that of others. That is perfectly true. As long as we were Free Trade, as long as we hoped for an expansion of Free Trade, as long as we thought preference to be a dangerous idea, we prevented other people from adopting a policy which we were determined not to adopt ourselves. But that state of affairs has changed, and it seems to me that the principle that makes it to our interest and the Dominions' interest for us to cooperate should also unite Colonial interests with ours and the rest of the Empire in mutual preference.

Take the West African position, and the Anglo-French Treaty as an example. We are there precluded from giving preference in our territory, and the French are precluded in certain French territories, but not in all, from giving preference to their trade. At first sight it would seem that that arrangement was still to our interest. We export to the French area in question something like £2,130,000 worth of British manufactures. The French export to Nigeria and the Gold Coast, our Colonies that are affected, only £730,000 worth. As between England and France, we are obviously even now getting the best of the bargain. Unfortunately, we have to remember that under present international conditions the Anglo-French agreement includes the most favoured nation clause and the privileges

[Mr. Amery.]

which we concede to the French have to be conceded to every other foreign country, so while the French only send £730,000 worth of their manufactures to Nigeria and the Gold Coast, other foreign countries, under the most favoured nation clause, send over £7,600,000 worth.

There is, therefore, from the point of view of our own interest a very serious case for considering whether we ought not to try to secure the abolition of the most favoured nation clause—I believe that in international trade this clause is doomed—and that we ought to try to make this arrangement a purely Anglo-French one or else get rid of it altogether. I would remind the Committee in passing, that the Treaty as it stands not only precludes us from receiving preferences in the Colonies but precludes the rest of the Empire from receiving preferences and therefore stands in the way of the full development of, say, the West African-Canadian trade.

I need not go into all the difficulties which surround the Treaties of St. Germain-en-Laye, Berlin, and Brussels, with regard to that curious and to-day absolutely meaningless zone the Congo Basin, which includes a tip of Northern Rhodesia, a tip of the Sudan and our East African territories. All I would say is that those difficulties, though very real, need not be insurmountable if British policy, consistently and determinedly is directed towards getting rid of them. I mentioned in the House the other day that the Ottawa Conference of 1894 passed a Resolution which was the first step towards the denunciation of the German and Belgian Treaties which made it impossible for us either to give or receive preferences in relation to the Dominions. May I suggest that this matter is also one for the Secretary of State for the Colonies to bring definitely to the notice of the whole Empire at Ottawa and to see whether the Empire is not prepared, now, to pass such Resolutions as would strengthen the hands of the British Board of Trade and the British Foreign Office in progressively, and in the measure of what is possible, getting rid of those restrictions.

I trust that I have not detained the Committee at undue length. There are many other matters which one naturally would wish to touch upon on this occasion

but it seems to me that, for the Colonial Empire as for the rest of us, Ottawa is going to be a great turning-point. If we cannot get an advance of preferences and a solution of the monetary problem, the next few years in the Colonial Empire may be very lean and difficult years, years of retrogression rather than of progress. If Ottawa succeeds, it may for the Colonial Empire be the beginning of a new and wonderful era of development.

Colonel WEDGWOOD: The right hon. Gentleman the Member for Sparkbrook (Mr. Amery) often fills me with exasperation beyond words and no doubt I have the same effect upon him. But I think that what we all appreciate about the right hon. Gentleman is the fact that when he makes a speech of the kind to which we have just listened, he does not seek to show how much better he could do the job than the chap who is doing it. In addition to that, he is uncommonly earnest. I may say, however, that he misjudges the point of view of those people who, like myself, do not think that we are conferring such a great advantage and such benefits on the natives of Kenya as he seems to think. After all, he himself has been responsible for Kenya and naturally he likes to look at the rosy side. He thinks that Lord Moyne's Report is excellent. He thinks it a step in the right direction, which may be followed in the future, but apart from that report I do not think it can be said that there is any affection due to us for benefits conferred upon the natives in Kenya.

I really think it can only be a pretence to say that our attitude to the natives there is solely one of benevolence. The blighters in Kenya have got to work and we make them work. [HON. MEMBERS: "Oh!"] Yes, they have to work; they are the labour problem. The problem in Kenya is how to get workers. They do not suffer there from unemployment. They suffer from lack of suitable work and the complaint of the natives in Kenya is that under the British administration they are compelled to work. Of course a great many people think that they ought to be made to work, but it is a perfectly reasonable grievance on the part of the natives of that country that they have to work for two months in the year for a master, solely in order to earn

the money which they have to pay in taxes. [HON. MEMBERS: "What about in this country?"] And how long do we work, for example? [HON. MEMBERS: "A five-shilling Income Tax." The 5s. Income Tax does not make any of the hon. Members who interrupt, work for a master for a low wage during two months of every year. Nor is that all. If a native in Kenya leaves his job he can be sent to prison under the Master and Servant Ordinance.

Brigadier-General Sir HENRY FROST: I can assure the right hon. and gallant Gentleman that when the natives get tired of their work they just walk off, and you may not see them again for 12 months.

Colonel WEDGWOOD: But you can put them in gaol. I have been in Kenya too and I know something about the conditions of the natives. Then take the conditions of the working-class there and only the working-class, have to take out passes so that they may be readily identifiable and reclaimed by the people for whom they have contracted to work. Those systems make it extremely difficult for any native who understands the rights and liberties of the working class in other countries to tolerate and accept what is going on in Kenya to-day. These people are not savages any longer. They can read; they are rapidly becoming educated and you cannot expect satisfaction on their part in the present circumstances. Nor is the labour question the only question. We have taken from them the best land in Kenya and left them reserves. The Masai have very large reserves while the other hand the Kikuyu have very small reserves. You have taken their land away from them with the result that the natives are compelled to work in order to live—compelled to work not for themselves but for us. I do not believe that it is generally known that the native of Kenya is not allowed to own land outside the reserves. He is not allowed even to lease land in his own country.

Lieut-Commander AGNEW: For the information of the Committee perhaps the right hon. and loyal Gentleman will say whether a white man can own land in the native reserves?

Colonel WEDGWOOD: Of course he cannot because the reserves are the com-

munal property of the tribe and not individual property at all. But the natives in Kenya can own no property whatever, individually. Even in the native reserves, as I say, the property is communal and if a native wanted to buy or even to rent a bit of land for a market garden he could not do so.

Vice-Admiral TAYLOR: Is it not in accordance with their own law and administration—this owning of land in the reserves?

Colonel WEDGWOOD: Yes, but you are detribalising the natives—

Vice-Admiral TAYLOR: And are you objecting to that?

Colonel WEDGWOOD: I am. You are detribalising the native. You are driving him out of the reserves. You are forcing him to work in a civilised community for wages, and, at the same time, depriving him of the opportunity of owning land, so that he would be able to bargain with his masters as to the wages he could claim. It is all very well for this House to think that all is beautiful in the garden of Kenya, but, believe me, you have there conditions for the natives which, as those natives become more educated and you understand them better, must inevitably lead to trouble, and I am surprised at the hon. and gallant Admiral criticising the right of the natives to own land in Kenya, for I remember only the other day, on the Palestine question, he was denouncing the interference of the Jews with the land of the Arabs.

Vice-Admiral TAYLOR: I asked, whether the question of owning land in the reserves was not a matter for the natives themselves, and for their own particular administration?

Colonel WEDGWOOD: In the reserves certainly. The reserves form a small area, but outside that area the natives cannot own land or rent it.

Sir J. SANDEMAN ALLEN: Is not the reservation a very large area—42,000 square miles?

Colonel WEDGWOOD: I cannot give the details, but there are very large reserves outside for the grazing population, who require a large area; but the reserves

[Colonel Wedgwood.]

for the Masai, the Kikuyu, and the Kavirondo are all small reserves, and, as the hon. Gentleman knows, too small for the growing populations. Does he deny that?

**Sir H. CROFT:** Is it not a fact that in the Kikuyu reserves the great difficulty is that they will not grow even enough mealies for their own consumption?

**Colonel WEDGWOOD:** In the Kikuyu reserves the land is not enough. The men are driven out to work. The women are working on those lands, because you take the men away from them. I wonder what the hon. and gallant Gentleman would do if he were Governor of Kenya. Would he take away more land from the natives? Thank goodness we have a Government a long way from that sort of attitude, and I think there can be no doubt whatever that there will be no more land taken from those reserves in future. They are so inadequate that there is no chance of their being reduced in future. The natives, however, are oppressed by the fear that what is advocated by the hon. and gallant Gentleman may take place.

**Sir H. CROFT:** I do not suggest taking away land. I only say that the land in the reserves is not worked to full capacity.

**Colonel WEDGWOOD:** Nor is the land in this country, worse luck! Any attempt to take any more land from those reserves would be a serious matter. I am sorry to have taken up so much time on that point. What I wish to emphasise is that Kenya is only one side of a very big problem. Exactly the same problems that we have in Kenya to-day—problems of labour, land and taxation—are bound to crop up in the other African Colonies. In Northern Rhodesia the problem is a very live one to-day. Sooner or later in Nyassaland you will be faced with exactly the same problem. The Sudan is another case in point, and I wish to draw the attention of the right hon. Gentleman to British practice in the Sudan, which is under the Foreign Office, as a possible alternative to the future development of places like Nyassaland, Tanganyika and Northern Rhodesia. In the Sudan the land has not been taken from the people. There, the cultivators of the land, under arrangements with the Government, rent

the land from the Government. There they have large cotton plantations, the product of which is taken by the cotton-planting companies, and the people who produce the cotton are paid a fixed price. The system works in the Sudan, and there has been no serious native grievance there whatsoever. There has been no outrageous taking of the land from the native, no exploitation, no excessive taxation.

What we have done in the Sudan we might perfectly be able to do in the rest of the African colonies. To a large extent what has been done in the Sudan has been done also in Nigeria. There too, the problems which face us in East Africa have been avoided by being taken in hand in time by wise administration. It would not be too late now for the Colonial Office and the right hon. Gentleman to see how far the future development of East Africa could be harmonised with more of the spirit which has been shown in the Sudan and on the West Coast. But, obviously, the main difficulty in all our Colonies to-day is the question of what we intend the natives to become. If we are to have a position of trusteeship as regards the natives, we must be contemplating the improvement of their status, and the gradual development of the native mind into a capacity for managing his own affairs. I know a great many people say "We do not want it; we prefer to keep the native as he is." But that is not the policy that any Government or this House has ever advanced. The principle of trusteeship does involve improvement. That improvement does depend, above all, on native education.

Are we doing anything to educate the people in East Africa? If you look at those Colonies, you find one thing in common—a passionate desire among the natives to learn. Education opens the door of the world. Education is an opportunity. Education is the white man's badge. All those people have a great desire for education, and they get so little. Most of the customs and habits to which we object are based upon lack of education. The chance of breaking down those customs depends upon both boys and girls getting education, and yet the amount set apart for education in the budgets of the Colonies, instead of developing, actually goes down.

I would like the House to understand that the least contribution you can make to the development of those people is to teach them English, so that they can read English and acquire what we call English culture.

Directly they can get English culture or even, any kind of English education it is a sort of protection for them. They can then organise their trade unions, they can then manage their local government, they can then read the laws and the newspapers, but without it they cannot do any of these things, and that is why, not only in Africa, but elsewhere, this matter of education is of such vital importance. If the working classes had not been given education 30 years ago none of my right hon. Friends here would be on this Front Bench. If it was not for education, the world would still be back in medieval conditions, but it is our business to extend the rest of the Empire not merely co-operating freely in trade but co-operating as freely in learning, in knowledge, and in industry, and I welcome certain actions that have been taken by the right hon. Gentleman during his tenure of office in that direction.

I think the right hon. Gentleman, who has spent most of his political fighting life in Departments where political fighting was the principal object, will realise that now he has got into a Department where he really does not need to fight. There is no party business here. I do not think there is any difference of opinion among us really as to the way in which these questions should be approached. I think he has done uncommonly well, both in Cyprus and in Malta, in laying down the principle that you are not going to leave education in the hands of obscurantists. It is not enough to pass pious resolutions. If you want to get decent education for the children of Cyprus or Malta, you will have to have powers of appointing and training teachers. If you leave it in the hands of other people, with the best intentions, they will not get it done, and it is really our duty to civilisation to see that education does spread and that people have a chance.

The condition of the Maltese to-day is almost exactly like the position of the people of this country in the middle of the 14th century, when the language of this country, in the Law Courts and the

Church, was Norman-French, almost Latin; and then, in the middle of the 14th century, this House suddenly decided that they really could not stand talking Norman-French any longer and that they really must talk English for a change, and so they began talking English. The Law Courts held up their hands in horror and went on for centuries talking in another language. The Church, of course, absolutely had fits, and could not think of descending to the vulgar tongue. But the position in England then is absolutely the position in Malta now. The Maltese have a language of their own. I should not care to have to learn it, but it is their language, and is there any reason why the use of it should not gradually come about, first into their Parliament, and then into their law courts, and finally, if possible, into their Church itself? It is no longer impossible to hope, I trust, that people may sometimes be able to govern themselves in the language which they themselves use and understand it. It is perfectly marvellous, considering the constitution and so forth, and what they had to face from the Church in Malta, that so much has been achieved. It is none too easy when you have in power in Malta a party calling itself Nationalist, but which is really Italian, and a very small minority of the people calling themselves Constitutionalists, but in reality the Liberal wing of that party.

We cannot go wrong on education. There are people who say to-day that it was a crime when we taught the Indians to read and think and speak English. It was inevitable in any case, and I do not think it was a crime. I think it was the beginning of the dawn. In exactly the same way, the spread of Liberal English education and education in English ideas is the only foundation upon which the future of our Empire can be soundly laid with any hope for the development of the race.

**Captain CAZALET:** I am sorry to have to disagree with anyone who puts his case so pleasantly as the right hon. and gallant Member for Newcastle-under-Lyme (Colonel Wedgwood), but I could not disagree more profoundly with the implications of his remarks. 12.30 p.m. with regard to the condition of the natives in Kenya and other parts of Africa. I know that he considers that the only direct benefit

[Captain Cazalet.] which this country has ever conferred upon Africa and the African native was when he himself ruled, dictatorially, like Mussolini, a certain portion of the Union of South Africa some years ago. He could not have taken a more impossible analogy than that of the Sudan and the cotton plantations. I was there, on the plantations, a few weeks ago, and really the whole of that scene, as he knows, was only made possible by the action of the British taxpayer in guaranteeing a loan of £15,000,000. The proceeds of the cotton are divided as to 40 per cent. to the natives who grow it, 40 per cent. to the Sudan Government, and 20 per cent. to the Sudan plantation companies. It is very likely that, owing to the price of cotton at present, there will be nothing whatever to pay to the natives, whose 40 per cent. is nearly all gone already this year. The price of cotton is falling every day, and it is very doubtful this year whether the natives will get anything at all. They are extremely discontented at the existing state of affairs, and there is no place in the whole of Africa where it is the duty of the British administrator to make the individual native work harder than he has to work in that portion of the Sudan.

**Colonel WEDGWOOD:** He works as a free man.

**Captain CAZALET:** Yes, but he works also to enable him, no doubt, to pay his tax. The right hon. and gallant Gentleman is up against making the native work on the land to produce something which he may eat or enjoy, but nevertheless he is also anxious to make him work at something which he dislikes much more, and that is learning the English language and other aspects of English education. I shall have a word or two to say in regard to the natives in Kenya, but may I first touch on a matter on which I do agree with the right hon. and gallant Gentleman? I was very glad to hear repeated again to-day from the right hon. Gentleman in charge of the Debate that in spite of what has happened in Malta since we last discussed this question, and the result of the General Election, he is in no way inclined to alter his opinion or his declared policy on the language question. May I, however, say that there are one or two matters with regard to the electoral laws in Malta into which I

wish his Department would look? I understand that plural voting exists in Malta and that it is possible for an individual voter to have no fewer than 10 votes in existing conditions. Also there are things called voting certificates which are liable, shall I say, to be used to develop certain very undesirable practices, and I trust that at some time in the future the right hon. Gentleman may look into these matters.

Now I will turn to East Africa and Lord Moyne's report. Lord Moyne has produced, what he was expected to produce, a fair and unbiased but searching examination of the financial situation in Kenya, and I believe his report will be accepted, not only here, but in Kenya itself, by all the interests in that country, as being unbiased and fair.

This Committee owes a deep debt of gratitude to Lord Moyne for the trouble and time to which he was put in producing that Report. May I, however, say a word of criticism before dealing with certain aspects of that document. In the development of road and air routes both in Kenya and East Africa generally we are behind both the Belgian Government in Belgium Congo and the French Government in many parts of French Equatorial Africa. I appreciate that a great deal of money has been put into the railway system and that the roads should be made primarily to feed the railways, but those roads should be adequate to the demands put upon them. Where there are no railways, we should try and produce more all-weather permanent roads. Whatever may be the arguments as to the unsuitability of the soil and the difficulty of getting labour, an impartial examination of this matter leads one to the conclusion that the administration of the roads leaves much to be desired in Tanganyika and Kenya. With regard to aerodromes, it is important to realise the revolution which aeroplanes have brought to these countries and Central Africa. The governments there have to be prepared for a great extension of the use of aeroplanes, and they should go ahead, even under the existing difficult circumstances, in the preparation of suitable and adequate aerodromes everywhere. I am glad to see the reference which Lord Moyne makes in his report to the question of the communal labour on the roads, because I

believe that that means the solving to a certain degree of the very question which I have just raised.

As to the general conditions, I have always held that in the past personalities in politics have played far too great a part in the history of Kenya in many ways, and that they have retarded its natural growth and development. I do not think that Kenya, any more than any other part of the British Empire, wants any more committees or commissions. I am one of those who believe that there is nothing incompatible with the interests of the natives in Kenya if at some near-time the white settlers double their present number of 17,000, or are even more. The interests of both the settlers and the natives are one, and the prosperity of the one is intimately associated with the prosperity of the other. I regret that the hon. Gentleman who opened the Debate once more suggested criticisms of the personnel of the Land Commission which has just been set up. I have heard and read a good deal of criticisms of those individuals, and as far as one is able, from an impartial point of view, to examine their records and qualifications, one must come to the conclusion that the Commission is the ideal body to find a solution of this problem. Whatever solution and report it produces, they will, largely owing to its admirable composition, receive the unanimous approval of every section of the community in Kenya.

I hope that the right hon. Gentleman will give us some account of the recent Joint Governors' Conference, which is the first to take place since the report of the Joint Committee on East Africa; and that he will also tell us what steps are being taken to set up a permanent secretariat, because many of us believe that the solution of all the questions dealing with the amalgamation of various services in East Africa will lay in the proper development of the Governors' Conference. No one can visit East Africa without desiring to pay his humble meed of tribute to the work of our civil servants in the Colonial Service. In lonely, unhealthy and disagreeable conditions they have for years exhibited a tact, patience, sympathy and understanding of native conditions which has made our service the admiration of the world. That is brought out and endorsed in Lord Moyne's report. The idea which the right

hon. and gallant Member for Newcastle-under-Lyme has again brought forward, that in East Africa and particularly in Kenya the native gets a bad deal, is not only a libel on the administration, but a travesty of the true facts of the situation. Anyone who has visited the native councils working without even the presence of an official representative, who has visited the native hospitals which are largely supported and manned by the natives themselves, who has seen the midwives sent out properly trained and qualified, and who has observed the vast improvement in sanitation in a variety of areas, cannot come to any other conclusion than that a great contribution to progress and to the betterment of native conditions in East Africa has been made by British administration.

Everyone admits that mistakes have been made in the past, but they have been made in good faith; and it is because of those very mistakes that we have Lord Moyne's report and an indication that the Government are in favour of many of the proposals in it; and it is because we admit some of the mistakes in the past that the Land Commission is now sitting. I am certain that common sense can settle these questions with complete fairness to both the natives and the settlers. Anyone who reads the Report will realise that the native is rapidly becoming a producer as well as a consumer, and nothing shows the gravity of the situation or of the financial conditions better than the figures which Lord Moyne quotes of the prices that natives received this year compared with those received in 1928 for certain products. I do not know what Nkinna is, but in 1928 the price paid to the natives per load of 80 lbs. was 10 shillings, and in 1929 the price was 2.50 shillings—a fall of 75 per cent. In cattle hides the fall is even greater, being 80 per cent to 90 per cent.

Everyone realises that if the native is to be, as we wish him to be, a consumer and buyer of British goods in an ever-increasing degree, he must be able to sell his produce at a reasonable price. Therefore, we wish all the advantages of marketing and research to be made available to the native producers as well as to any other section of the community. On the other hand, great care must be exercised as to the crops which the native is encouraged to produce. In Kenya the

[Captain Cazale.]

other day a whole 4-year-old coffee crop, which represented a large initial expenditure, had to be destroyed because the natives who had produced it had not given it adequate care and attention.

Some disease had got in, and in the interests of all coffee growers in East Africa the whole crop had to be destroyed. In Uganda there are definite regulations under which any native who grows, as most of them do, a small patch of cotton is forced, if you like—I do not know whether the right hon. and gallant Gentleman will mind the native being forced in this particular matter—to grow also some form of foodstuffs, either bananas or other local produce.

The other two chief items in the report are the setting up of the native betterment committee and the question of income tax. We do not yet know how the native betterment proposal may work out, but it is generally agreed that it is a sound and sensible solution of a problem which in the past has given rise to many difficulties. As regards the income tax, I agree that if I were a settler in Kenya or Tanganyika I should oppose it, and the right hon. and gallant Gentleman would follow my example and probably lead the agitation against the Government; but after having read the facts and the arguments in Lord Moyne's report I must admit that I can not see that that section of the community in East Africa, and particularly in Kenya, have a very strong case against the imposition of a light income tax.

**Colonel WEDGWOOD:** Surely the hon. and gallant Member is aware that they have put forward proposals.

**Captain CAZALET:** I was going to lead to that very conclusion, and to say that I hope those concerned will co-operate with the Government in producing an equitable and a fair scheme. It is in their own interests that they should do so, because from the point of view of propaganda and advertisement for Kenya it is far better that the Budget should balance than that there should be a large deficit year after year. That cannot encourage migration. I hope the right hon. Gentleman may be able to tell us what has been decided in regard to our East or West African Colonies which have in the past undertaken certain tariff obligations, owing to a variety of treaties

to which the right hon. Gentleman has referred. I admit that a great many arguments can be advanced on both sides. The East African Colonies are rapidly developing a good trade with the Belgian Congo. Large quantities of material have gone through their ports to the Belgian Congo, where the gold mines are yearly increasing their exports of gold. Further, only a few months ago a farmer in Kenya was exporting over a ton of jam a week to the natives in the North of the Belgian Congo. At the same time it is easy to see the advantages which would naturally accrue both to us and to those Colonies if they were able to disentangle themselves from these obligations and join in an economically-united British Empire.

I would say in conclusion that while Kenya is at present experiencing the effects of world depression to an even greater degree, perhaps, than other countries, yet providence has richly endowed her with sun and soil, and that I hope there will be a cessation of those inter-racine quarrels, which do no good to anyone. She has a magnificent body of settlers, second to none as regards the energy, hard work and foresight which they have applied to the development of their new homes. As Lord Moyne has pointed out, the relationships between employers and the native employees are excellent, she has an admirable administration, and I trust and hope that she will settle down to face and solve the stern and unpleasant difficulties with which she is to-day confronted, so that in the very near future she may enjoy with the rest of the Colonial Empire the measure of prosperity which she so richly deserves.

**Mr. PARKINSON:** There has been a note almost of unanimity this morning in the observations concerning the able report of Lord Moyne, and I am sure it will have given great pleasure to all who have read it, because he not only points out the weaknesses prevailing out there, but has much interesting information to offer on other points as well. The hon. and gallant Member for Chippenham (Captain Cazale) has pointed out some of the things which he regards as right and which ought to be encouraged, but others of us look at some of the things from a different point of view, and probably he will not agree with all I have to say. We may congratulate the Government on

having undertaken with such speed the appointment of the committees on the recommendation of the Joint Committee. In that they have shown their intention to try to make things much better in our East African Colonies. The report of Lord Moyne shows the justification of the Joint Select Committee in calling for an investigation into the amounts paid by the different racial communities in Kenya and the amounts spent in the interests of each community. All the native witnesses, who came before the Committee stressed three points in particular—expenditure, education and land. They were the subjects of the most serious complaints by the natives who gave evidence, and by many of the officials and others who regard our trusteeship of the native interests as a reality.

Lord Moyne's report points out very well indeed the obligation which we have to native races. The Joint Select Committee define our primary obligation to the native races in paragraph 2 on page 2 of the Report, and I think that definition is a very good one, and an excellent interpretation has been given by Lord Moyne, who divides the obligations under three heads—the material welfare of the people, the economic and the educational. I can only advise hon. Members to read the interpretation, which they will find in paragraph 3 on page 3. It has always been held by the members of our party that the needs of the population as a whole should be the first consideration, though I agree that many people do not hold that view, believing that the settler population of Kenya ought to be paramount there. I believe that the welfare of those who have lived for centuries on the land of their birth, land which has been in their families for centuries without number, ought to have fair and proper consideration. That point of view has been rather overlooked in the past, but the Joint Select Committee adopt that view and treat it as one deserving of the first consideration.

I, and I think many other people, hold that more consideration should be given to the 3,000,000 natives than is given to the 20,000 white settlers. The white population are in every way capable of looking after their own interests. They have had the benefit of a sound education before going to Kenya and are equipped to meet

modern conditions of life, and can state their case in the most effective way. We must look on the other side of this argument. We find, on the other side, that the population is getting well on for 3,000,000. Men who may be very smart in the methods which have been prevalent in their own country, and for engaging in production and commerce, such as it is, between the reserves and the tribes, would, when placed up against the white man with his commercial education, certainly not be a match for him and would not be able to place his case in anything like the same light. They have not been able to make their case understandable when they have been dealing with matters which vitally affect them. It is not, therefore, surprising that the interests of the white population prevail. I do not think that we need to apportion any blame to any particular person. It has been a case of each side undertaking its own interests in the best possible way and with a view to making the best bargain for themselves. My contention, which I think I made plain in the speech I made on this matter in April of this year, is that the interests of the whites as against the natives has been favoured at practically every point.

I was delighted this morning to find that the right hon. Gentleman the Member for Sparbrook (Mr. Amery) agreed with the statement which I have just made, that there has been favouritism in the direction of the white population as against the native population, in matters of railway rates, public expenditure, and that kind of thing. I believe that the time has come when the Government will have to interfere in order to see that there is proper co-operation between the two races, that each race shall at least get that to which it is honestly entitled, and that one shall not be permitted unduly to exploit the other. Lord Moyne shows conclusively the terrible hardship that has been imposed in many areas by the uniform poll tax of 12s. The fall in the value of the produce which they can sell, as has been quoted by the hon. and gallant Gentleman for the Chippenham (Captain Cazale), and the decreasing demand for labour on settler farms, must make it almost impossible for many natives to find the money required. To know why these sums have not been found and why the money has not been secured, we must remember that the

[Captain CAZALET.]

either day a whole 4-year-old coffee crop, which represented a large initial expenditure, had to be destroyed because the natives who had produced it had not given it adequate care and attention.

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Captain CAZALET: I was going to lead to that very conclusion, and to say that I hope those concerned will co-operate with the Government in producing an equitable and a fair scheme. It is in their own interests that they should do so, because from the point of view of propaganda and advertisement for Kenya it is far better that the Budget should balance than that there should be a large deficit year after year. That cannot encourage migration. I hope the right hon. Gentleman may be able to tell us what has been decided in regard to our East or West African Colonies which have in the past undertaken certain tax obligations, owing to a variety of tactics

to which the right hon. Gentleman has referred. I admit that a great many arguments can be advanced on both sides. The East African Colonies are rapidly developing a good trade with the Belgian Congo. Large quantities of material have gone through their ports to the Belgian Congo, where the gold mines are yearly increasing their exports of gold. Further, only a few months ago a farmer in Kenya was exporting over a ton of jam a week to the natives in the North of the Belgian Congo. At the same time it is easy to see the advantages which would naturally accrue both to us and to those Colonies if they were able to disentangle themselves from these obligations and join in an economically-unioned British Empire.

I would say in conclusion that while Kenya is at present experiencing the effects of world depression to an even greater degree, perhaps, than other countries, yet providence has richly endowed her with sun and soil, and that I hope there will be a cessation of those inter-racial quarrels, which do no good to anyone. She has a magnificent body of settlers, second to none as regards the energy, hard work and foresight which they have applied to the development of their new homes. As Lord Moyne has pointed out, the relationships between employers and the native employees are excellent, she has an admirable administration, and I trust and hope that she will settle down to face and solve the stern and unpleasant difficulties with which she is to-day confronted, so that in the very near future she may enjoy with the rest of the Colonial Empire the measure of prosperity which she so richly deserves.

Mr. PARKINSON: There has been a note almost of unanimity this morning in the observations concerning the able report of Lord Moyne, and I am sure it will have given great pleasure to all who have read it, because he not only points out the weaknesses prevailing out there, but has much interesting information to offer on other points as well. The hon. and gallant Member for Chippenham (Captain CAZALET) has pointed out some of the things which he regards as right and which ought to be encouraged, but others of us look at some of the things from a different point of view, and probably he will not agree with all I have to say. We may congratulate the Government on

having undertaken with such speed the appointment of the committees on the recommendation of the Joint Committee. In that they have shown their intention to try to make things much better in our East African Colonies. The report of Lord Moyne shows the justification of the Joint Select Committee in calling for an investigation into the amounts paid by the different racial communities in Kenya and the amounts spent in the interests of each community. All the native witnesses who came before the Committee stressed three points in particular—expenditure, education and land. They were the subjects of the most serious complaints by the natives who gave evidence, and by many of the officials and others who regard our trusteeship of the native interests as a reality.

Lord Moyne's report points out very well indeed the obligation which we have to native races. The Joint Select Committee define our primary obligation to the native races in paragraph 2 on page 2 of the Report, and I think that definition is a very good one, and an excellent interpretation has been given by Lord Moyne, who divides the obligations under three heads—the material welfare of the people, the economic and the educational. I can only advise hon. Members to read the interpretation, which they will find in paragraph 3 on page 3. It has always been held by the members of our party that the needs of the population as a whole should be the first consideration, though I agree that many people do not hold that view, believing that the settler population of Kenya ought to be paramount there. I believe that the welfare of those who have lived for centuries on the land of their birth, and which has been in their families for centuries with out number, ought to have fair and proper consideration. That point of view has been rather overlooked in the past, but the Joint Select Committee adopt that view and treat it as one deserving of the first consideration.

I, and I think many other people, hold that more consideration should be given to the 5,000,000 natives than is given to the 20,000 white settlers. The white population are in every way capable of looking after their own interests. They have had the benefit of a sound education before going to Kenya and are equipped to meet

modern conditions of life, and can state their case in the most effective way. We must look on the other side of that argument. We find, on the other side, that the population is getting well on for 3,000,000. Men who may be very smart in the methods which have been prevalent in their own country, and for engaging in production and commerce, such as it is, between the reserves and the tribes, would, when placed up against the white man with his commercial education, certainly not be able to place his case in anything like the same light. They have not been able to make their case understandable when they have been dealing with matters which vitally affect them. It is not, therefore, surprising that the interests of the white population prevail. I do not think that we need to apportion any blame to any particular person. It has been a case of each side undertaking its own interests in the best possible way and with a view to making the best bargain for themselves. My contention, which I think I made plain in the speech I made on this matter in April of this year, is that the interests of the whites as against the natives has been favoured at practically every point.

I was delighted this morning to find that the right hon. Gentleman the Member for Sparkbrook (Mr. Amery) agreed with the statement which I have just made, that there has been favouritism in the direction of the white population as against the native population, in matters of income, railway rates, public expenditure, and so on, and that kind of thing. I believe that the time has come when the Government will have to interfere in order to see that there is proper co-operation between the two races, that each race shall at least get that to which it is honestly entitled, and that one shall not be permitted unduly to exploit the other. Lord Moyne shows conclusively the terrible hardship that has been imposed in many areas by the uniform poll tax of 12s. The fall in the value of the produce which they can sell, as has been quoted by the hon. and gallant Gentleman for Chippenham (Captain CAZALET), and the decreasing demand for labour on settlers' farms, must make it almost impossible for many natives to find the money required. To know why these sums have not been found and why the money has not been secured, we must remember that the



[Mr. Parkinson.] standard of life of the native population has been gradually going down since 1928. There is no gaining the fact that the standard of life among the native population is considerably below what it was in 1928. Lord Moyne states in paragraph 9, on page 5, of the Report:

"Direct native taxation still remains in the primitive form of hut and poll taxes, and every adult male native has to pay one or the other, but not both."  
That is the burden which the natives are called upon to pay. Although financial stringency and depression demand immediate consideration, there is no reason why the natives should suffer more than the whites. Expenditure must be made to conform to income, but, where the expenditure is overwhelming and there is a diminishing income, it is impossible to make the two things meet. It will be the duty of the Government or of somebody else to try to strike a just proportion between the two communities in Kenya. It is very important as well as very difficult, but I believe that the native point of view should be ascertained and that their standard of life should be investigated in such a manner as would give it a value which was real rather than the imaginary value it has at the moment.

The native capacity to pay has never been sufficiently considered and the native standard of life has never yet been fully taken into account. The uniform poll tax of £12 is very heavy in proportion to the value of the produce that the natives can sell. The hon. and gallant Member for Chippingham quoted figures from the

Report showing that the price 1.0 p.m. paid for the native bean crop has fallen by no less than 50 per cent. between 1928 and 1932, and that in regard to butter there has been a fall in value from 57s. or 58s. in 1928 to 18s. in 1932. The sale of cattle hides has also fallen off from 20s. to 37s. in 1928 to 4s. in 1932. That shows that with the fall in the cost of living and the lessened opportunity of the natives to pay, their taxation is greater than they can bear. I appeal to the Minister, whatever is done with the Report of Lord Moyne, to see whether it is possible to strike a just proportion between the income of the native population and the demands that are made upon them in taxation.

On the figures submitted by the Government's Conference statisticians,

appears that the native community paid more than half the total taxation of the Colony. At first view one would say that 3,500,000 people ought to pay more than 30,000 whites, but that is not the correct conclusion, and we have to go very much deeper than that. The principle laid down in the Memorandum on native policy in 1930 was:

"That in view of native mentality, an adequate return for taxation paid ought to be made directly and visibly."

That would do something in the way of easing the burdens of the native people. The question of local rates in reserves and settled areas respectively ought to be carefully considered in relation to the central taxation. I am not going through all the matters which have been raised, but I want to deal with the question of education, because it has been spoken of by every hon. Member who has risen this morning. Every one has spoken of the great desire of the native population for education. One does not need to go very far in the Report of Lord Moyne to find that he distinctly states:

"At the Local Native Council meetings which I attended, I inquired what were the chief wants felt by the natives. 'More education' was invariably the first answer."

Then he went on to look at what has been done in the way of education. The need of education was stressed very keenly by the native witnesses before the Joint Select Committee. They made it clear that education was the first and practically their principal need. I believe, speaking from memory, that one of them said that education opened the way to greater possibilities in the commercial world, and helped them to do what they considered to be the best thing in the interests of their people. If hon. Members look at paragraph 57 on page 30 of the Report, dealing with education, they will find a very striking statement from Lord Moyne which I think ought to be taken into consideration by every one who has read the Report. He states:

"That the Local Native Councils really do feel keenly as to the need of education is shown by provision of £17,000 (see Appendix B, page 114) which they voted in 1931 for their services from their own resources. I therefore endorse the view expressed by the Director of Education in connection with his estimates this year."

The African position is worst of all. The demands for education are insatiable. The need for meeting these demands was never more urgent. This service should

not be allowed to suffer especially when the shortage of revenue is like that in the main, to be a shortage of revenue derived from Europeans and not from Africans."

The next paragraph states that:

"Local native councils have since 1926 voted £2621 for the provision of school buildings to make up for the insufficiency of Government grants."

What has been said with respect to education from the European point of view? The European point of view is quoted in paragraph 54, on page 29, where it is stated that:

"It is of course vital to the future interests of Kenya that nothing should interfere with the provision of European education on a scale as far as possible equal to that enjoyed by the British race and civilisation elsewhere throughout the Empire."

We agree with that statement to a certain extent, but we think that the same privileges and facilities ought to be given to the wards under our trusteeship. The Report goes on to say:

"It is disturbing to find that a very high proportion of the fees chargeable are not recovered from parents, and I consider that a standard of educational provision measured by boarding fees of £45 and tuition fees up to £6 10s. 6d. for a nine months' period represents an unduly high scale of advantage to be enjoyed at the public expense."

It appears, therefore, that, although the native population are being used rather unfairly, the position of the European population is being very strongly held. I notice that in this year's Estimates there is a decrease of £29,350 for native education, and, from what is stated in the Appendix to the Report, the position appears to be even more glaring than I have indicated. I have been wondering whether the right hon. Gentleman has given consideration to the dual policy of education in Northern Rhodesia. I feel that a step in the right direction has been taken, and I believe that a great work is being done educationally, in that Colony. They have their separate directors of education and their separate methods of educational work, and I am sure that the work which is being done in Northern Rhodesia will be attended by success in the matter of education in that Colony, and will probably put it ahead of all the others. I should like the right hon. Gentleman to compare the educational efforts in the two Colonies respectively. If he does, I am sure he will reach the same conclusion as I have.

With regard to medical services, which, of course, are a part of education, we find that the cuts in the native services are very heavy; indeed, the cuts are principally in the native services. In

paragraph 61, on page 33, of Lord Moyne's Report, we are told that in the Maasi Reserve, with a population of 50,402, the only medical officer has been withdrawn, while in Central Kavirondo the medical officers have been reduced by one, leaving only one medical officer for a population of 843,200. I could quote further cases of that kind, but I will merely point out that educational services, sanitary services, and medical research ought not to be cut down in a population in a country which is developing as Kenya is. The Report also states that:

"The provision for health propaganda, of primary importance in the prevention of disease among natives, has been progressively reduced from £3,150 in 1929 to £900 in 1932."

This is a very retrograde step, particularly in the development of a Colony where such services are so necessary, and where they ought to be augmented rather than reduced.

As regards the Land Commission, we are not complaining so far as its composition is concerned from the Government point of view, but we complain of the position from the native point of view. The Commissioners are asked:

"To determine the nature and extent of claims asserted by natives over land alienated to non-natives and to make recommendations for the adequate settlement of such claims, whether by legislation or otherwise; and to examine claims asserted by natives over land not yet alienated and to make recommendations for the adequate settlements of such claims."

The Land Commission will make a report, and it would be improper to say too much about it, but it was set up entirely by the Government; the Opposition were not consulted at all in regard to its composition. We think that its personnel would have been more adequate had it included one or two native people who really understood the position in regard to land in Kenya. We reserve the right to consider ourselves in no way bound to accept the findings of the Commission, though at the same time we hope that they may be such as to recommend themselves to every party and every Member of the House. I should like to read a statement made by Lord Lugard, who

[Mr. Parkinson.]

is one of the greatest living authorities, is not the greatest, on Equatorial Africa. He stated in a recent debate that:

"The claim of the European Powers to concede or extinguish native rights and to take possession or entire control of the land is presumably based on the right of conquest, or, alternatively, upon what the natives call protective possession, and which I may perhaps be allowed to call 'potential conquest,' namely, assumption of sovereignty by virtue of ability to suppress by superior force anyone who objects to the assumption."

I believe that that is correct, and that when one looks into the question of the land in Kenya and other African Colonies it will be found that the same basis has been adopted. Lands have been taken by the Government and sold to Europeans without leaving the natives who were occupying the land any land to live upon or to use. They have made the strongest protest to the Government that they could, but they have been told to keep quiet. The Agricultural Census of 1930 indicated that 110,000 landless adult male natives were quartered on European estates, while Lord Lugard stated that 138,000 detribalised natives are now registered as established on such estates, and Lord Passfield spoke of 150,000 to 200,000 so-called squatters on the alienated white lands.

It is not fair or reasonable that the natives, in the land of their own birth, their own homeland, should not be allowed sufficient land upon which to live, either by the extension of the reserves or the creation of new ones. Most of them have families, and property in land is the essential basis of African family life. May we hope that the Commission will do its best to put right these grievances of the natives, to restore to them the right to live happily on their own land in their own country, and to allay as far as possible the feeling of injustice which the natives entertain against the white races? I would appeal to the right hon. Gentleman, holding the great office that he holds, to try to bring about, if possible, greater co-operation and a feeling of human kinship between the natives and the white population. The native races to-day are too poor even to buy the small equipment which is necessary for the production of their crops. They have reached the bottom of their resources, according to the latest reports, for, although they do not as a rule wear such things as blankets to any great extent,

it is stated that they are more scantily clothed now than they have been for a long time.

I want to appeal to the Minister to give full consideration to the report and to do all he possibly can to carry out those parts of it which are going to ameliorate the conditions of the natives, to lower their heavy taxation, and to raise their standard of life. I have no sympathy with the hon. and gallant Gentleman below the hon. and gallant Gentleman who said that, if he were there, he would fight the Income Tax. I believe Income Tax ought to be imposed. I believe the white population ought to take their fair share of the burden of the country and not be there to pick up all the plums in the orchard and leave the natives derelict to fend for themselves in the best way that they can. I hope the Minister, after the issue of the report of the Land Commission, will be able to bring forward a comprehensive policy of re-organisation of the whole business with a view to settling some of these vexed questions which have extended over so many years.

Dr. McLEAN: I listened with great pleasure to the speech of the Secretary of State in the last Debate, giving a description of the economic situation of the Colonial Empire. I was glad to note the action that had been taken to give the maximum of economic advantage to this country and to the Colonies as the result of the recent fiscal changes. Arising out of this new economic situation, I should like to make one or two observations on the development of the Colonies and of the principles underlying this development. There are some principles to be applied which will govern future expenditure on development work. The expenditure will be related to the markets that are available. For the first time, we now have a sure market in the United Kingdom for the produce of the Colonies. It is clear from the right hon. Gentleman's speech that all this development will be related to those markets which we now find here, and which we hope to find in the Dominions as a result of the Ottawa Conference. The examination as to the opening up of any territory and its economic possibilities is now much simplified by having these assured markets. There is, therefore, less risk of economic disaster to the natives and to the white population and less risk of development being pushed too far ahead

of possible markets, as has often occurred in the past. In nearly all countries you find examples of railways and irrigation and other works which have never justified their existence because too optimistic a view was taken of the possibilities at the time of their construction.

The products of the Colonial Empire generally sent to this country consist of fruits, fibres, nuts and seeds of various kinds. To those who are not familiar with those products a visit to the Imperial Institute is of great interest. There they show by picture and sample the wide range of products and their commercial uses. The prices of all these things have fallen to a disastrous extent. The Colonial Secretary pointed out in the last Debate that the Colonies have given a very generous response in the matter of preference and have given a new one which is very wonderful considering the state of depression that they find themselves in. As the standard of life rises in the Dependencies, as we had hoped, will again under improved conditions, the wants of the natives will increase in the matter of agricultural machinery, motors and lorries and other things made in this country. It will thus have the effect of increasing employment here. Trade with the Colonies is complementary. They supply us with raw materials, and we supply in return manufactured articles.

The Moyne Report compares native and non-native standards and shows how the native has gained greatly by the development of the country. There is no doubt that the economic interest of all races in any territory is identical, because their welfare is bound up in the material prosperity and development of the country. Sometimes one hears it said that the primitive native is quite happy, but the reverse is usually the case. The primitive native is assailed by continuous superstitious fears. He is also in dread of the warlike intentions of his neighbours, and he is full of diseases and all these things, along with periodical famine, decimate the population. The advent of the white man has improved these conditions very considerably, and the native has now much more reason to be happy. But these new conditions have brought other and new problems, mainly economic. The reduction of the death-rate has so increased

the population that, but for the initiative and energy of the white men in the territory, who produce commodities that can be exported and can find markets for them, it would certainly be impossible to maintain the high standard of living which the natives have reached, and in many cases impossible to maintain the increased population at all. The total population of the Colonial Empire has increased by some 50 per cent. in the last generation, and some of the Colonies have doubled their population and more in that time. The action of the Minister, in putting the trade of the Colonial Empire on an economic basis and in seeking to extend it, ensures the economic future and welfare of all the races in so far as that can be done by Government action.

The Moyne Report deals with the position of the doctor. It may be said, that the aim of modern science is to prevent disease rather than to cure it. As an engineer, I have always found it best to collaborate from the beginning with the Public Health Department in such things as town and village sites and development and in provisions for water supply and water supply sources. It is well recognised, however, that the native usually shows a lack of enthusiasm, and often some hostility to health measures. Remonstrating with a native for transgressing regulations by allowing water to percolate from faulty irrigation channels and lie on the land and thus breed out the dreaded malaria mosquito, I have been told "If God wishes malaria to come to the town, no Government regulations can keep it away." A close association with natives over a long period of years opens one's mind to many curious points of view of life and things in general. It is therefore very important to remember these things in dealing with the economic question.

As to education and expenditure on education mentioned in to-day's Debate, I maintain that education, like research, is a most profitable investment in any country, and especially in the tropics. If economics are necessary, I trust that technical education will be the least to suffer. In primitive countries education should be controlled, and by that I mean that it should be co-ordinated with the development of the country and that the numbers trained should relate to the

[Dr. McLean.]  
posts and the kinds of work likely to be available. Technical and vocational education for trades and agriculture are the most suitable forms of education, and higher education might be supplied in some cases where it is possible.

In this connection, I would pay a tribute to a man of great vision who had a faith in the future of the Arab. I refer to the late Lord Kitchener. When he defeated the Dervishes in 1895 the first thing for which he asked when he returned to London was a public subscription for a college. People smiled at the idea of a college for the sons of Dervishes in a devastated and desert land, but they subscribed the amount and Gordon College was erected. When I left home some 30 years ago to become civil engineer of that college my friends were very sceptical about the possibilities and practicalities of the job I had undertaken. But ideas have changed since those days. Among the congratulations which I received upon my election to this House the one I value most was from the hand of young men I had trained in that college. The majority of them were men whom I had not seen for 20 years. It appears that they have all done well. Some have attained to senior posts which I know demand the exercise of a considerable amount of engineering skill. When I read the letter it reached upon me that Lord Kitchener's faith had been justified and that his dream had come true.

Mr. RHYS: The most important paragraph in the Moyse Report has received no attention at all beyond a passing reference by my right hon. Friend the Member for Sparkbrook (Mr. Amery). It deals with the question of financial control in Kenya. All the other incidentals must ultimately lead up to this question of very great importance which affects not only Kenya, but the whole system of government in the Crown Colonies. At this stage I need not go into the existing system of taxation in Kenya or into the alterations which will have to be made, except to say that I believe it to be inevitable that the industrial and rigid system of the poll tax which exists at the present time will have to be abandoned and a more fundamental system introduced based upon justice and a more time according to capacity to pay such as we have in this country. I would press

upon my hon. Friend the Under-Secretary to ask the Secretary of State when he replies to deal with the undoubted and very serious defect which has been brought to the public notice by Lord Moyse's report, namely, the lack of adequate financial control by the Treasury in Kenya. As recently as December, 1928, the Colony had a Budget surplus of nearly £200,000, and in the present year it is faced with a cash deficiency of £150,000.

We all know that, being primary producers, the inhabitants of Kenya have felt the fall in commodity 1.30 p.m. prices perhaps more severely than, or as severely as, any part of the world, but I cannot help feeling that a better system of control than the one which exists might have had some effect upon the slowing down of the raising of surpluses approved of in past years. The paragraph to which I refer is No. 105, and all efforts to bring about economy and the balancing of the Budget will, in my view, come to nothing ultimately unless financial control is introduced. At the present moment the Colonial Treasurer is really only an accounting officer and is responsible only for the collection of revenue. He is in no way responsible for expenditure. The Establishments Branch, such as it is, is under the command of the Colonial Secretary. In this country the Establishments Branch of the Treasury very closely scrutinises every demand, even before a fresh clerk or a fresh typist is engaged. Where you have, as is the case in Kenya, a complete separation of the Treasury and the administration, it is easy to see how expenditure can mount and mount and how, when one clerk is appointed, some one else must be appointed to help him in his work, and so the cycle goes on. I should like to know the views of the Colonial Secretary with regard to this somewhat loose administration.

I notice in Page 33 of the Report that Colonial Regulations were altered not very long ago, and that in regard to the estimates it states in the old regulations that annual estimates of the revenue and expenditure of the Colony should be prepared by the Colonial Secretary and submitted to the Governor. But the regulations which have been in force since 1926 provide that the Colonial Secretary shall submit them to the Governor. He is relieved of the necessity of preparing estimates. It seems to me, therefore, that

the Colonial Office may have had in mind an ultimate change in the present system by altering Colonial Regulations. Now that the report has brought to the public notice what I consider to be a fundamental difficulty in administration perhaps it will be possible to learn that something is to be done in that connection. Not only is this a fundamental principle affecting our whole administration. I could have developed at greater length the present financial position in the Colony, but I do not think that it is necessary to do so in view of what has gone before. I would also ask whether either my hon. Friend the Under-Secretary, or the Secretary of State, when he returns to the Chamber, can make any reference to the situation in the West African Colonies. I raised that subject on the last occasion that the Colonial Estimates were under discussion, but owing to lack of time it was not possible for any reply to be given from the Front Bench. I hope some information can be given to the Committee as to the present situation. I do press very strongly the point with regard to financial control.

Captain PETER MACDONALD: I should like to express my appreciation of the fact that the Government have given another day to the discussion of Colonial Affairs. On the last occasion the debate developed into a wailing wall between Jews and Arabs in Palestine, and a good many people who had points to raise on other Colonial matters were shut out.

Mr. CROSSLEY: On that occasion there were no Arabs wailing at the wall, but only Jews.

Captain MACDONALD: On that occasion the right hon. and gallant Member for Newcastle-under-Lyme (Colonel Wedgwood), who is not in his place, availed himself of the opportunity to make a most shameful attack upon a most loyal body of men, the police in Palestine, who are trying to carry on a most inhuman task in keeping order between those two conflicting elements in that troublesome country. True to form, he has availed himself of the present opportunity to try and stir up trouble between natives in other parts of the world. It may be his intention which persuades him to think that his speeches are not read or are not listened to throughout the Colonial Em-

pire, but I can assure him that the native press of East Africa, particularly the extremist press, will take full advantage of the opportunity that he has given them on this occasion, as on past occasions, of stirring up and creating trouble between native politicians and Colonial administrators in parts of the Empire where, heaven knows, it is difficult enough at the present time to govern, and govern decently. With that one exception the debate has been on a very high level and has covered a very wide field.

I should like to congratulate the Secretary of State for the Colonies upon the very comprehensive survey he has given of the work of his Department since he took over the administration of it, and I wish to express the profound relief we feel that he is responsible for the Department at the present time. We all know his capacity for hard work and clear thinking, and both those qualities are going to be tested very severely in the next few months. A few months hence when the Ottawa Conference is behind us and a survey is being made of Colonial as well as the Dominion Empire, I feel convinced that the right hon. Gentleman will be able to give a survey of development so far as the Colonies are concerned that will be gratifying to the House as well as to the whole Empire.

One or two points have been raised in the debate which I should like to emphasise, particularly the point raised by the right hon. Member for Sparkbrook (Mr. Amery) when he dealt with the question of commodity prices and their effect upon the future of Colonial and Empire trade. The question of commodity prices, which is linked up with the question of the stabilisation of currency, is one of the most important points to be considered by any Economic Conference in the future. Without the stabilisation of currency and the stabilisation of commodity prices the whole effect of any Preference which may be obtained or granted between the various component parts of the Empire will be completely nullified. At the present time commodity prices are about one-third what they were four or five years ago, and it requires no mathematician to appreciate the effect that that must have upon preferences and upon the future of Empire trade.

I very strongly urge the Colonial Office and the right hon. Gentleman who

[Captain Macdonald.]  
is to represent the Colonial Empire at the Economic Conference at Ottawa, to concentrate upon that very important point the stabilisation of commodity prices at an economic level, at the same time finding some means of stabilising currency either by attaching it to sterling or by maintaining the value of sterling at a fixed value for commodities, say, at the 1928 level, or adopting another commodity system, bi-metallic, and extending that as far as possible throughout the world. I am convinced that until these two questions are tackled there is no possible hope for a revival of trade either in the Empire or throughout the world. They are linked up with our economic questions as much as the question of war debts, which I cannot discuss to-day. As soon as that question is got out of the way this vital question of the stabilising of currency and commodity prices must be tackled, and the sooner the better.

In a very clouded horizon one white spot on the horizon is the Colonial Empire. Successive Governments in this country have done their utmost in the past to weaken the links that bind the various Dominions with the Mother Country, culminating in that shameful document the Statute of Westminster, which passed this House a short time ago, the results of which we are reaping to-day. In spite of all this, the Colonial Empire remains intensely loyal. We have a tremendous field for the development of our economic Empire throughout the Colonies. They are not hampered as the Dominions are by their own secondary industries, and it is in that field that many of us who are very much interested in this question of Empire development are looking for future progress and future prosperity.

Sir J. SANDEMAN ALLEN: I should like to occupy the time of the Committee for two or three minutes in going back to the opening speech of the right hon. Gentleman. I was very sorry to hear the severe criticism of the Commission which is going to sit under Sir William Morris Carter. On reflection everybody will realise that it has been most carefully selected and that the natives will be well looked after, indeed, much better by an experienced native commissioner than by anyone who may be selected by the natives themselves. Whatever criticisms

there may be about Kenya generally Lord Moyne's admirable and impartial report makes it perfectly clear that if there has been a certain amount of unfairness in any quarter it is quite unintentional, and in spite of the unfortunate and rather unhappy speech this morning the real position is that the feeling throughout the whole region has greatly improved. The settlers and the natives are working together, and the report confirms it.

One or two weak spots are mentioned in the Report. We must remember that the machine has required readjustment for some time. There have been commissions and committees during recent years, and as there is now an opportunity to complete the adjustment of the machinery, I have no doubt that it will be undertaken by the Department. The suggested native betterment scheme is, in my view, a most important proposal, and will have a great effect in developing a sense of responsibility among the chief and headmen. At first they will require close watching, but Lord Moyne has clearly laid down the lines of what to my mind is distinctly the better scheme, and I hope the Government will see their way to adopt it. There are 48,000 square miles of native reserve in Kenya which are undeveloped, and it will be for the natives to develop what is the finest asset in the country in their own interests. In regard to native cultivation certain steps have been suggested, but I hope the Government will go slow in this matter.

In regard to the Income Tax proposal it is true that in 1921 Income Tax was a complete failure in Kenya. In the first place, there was no proper staff to look after it; and, in the second, there was no Income Tax in the other two districts of Uganda and Tanganyika. If we set up an Income Tax scheme in Kenya without having a similar scheme in Uganda and Tanganyika run in conjunction with it and managed by one set of officials, it will be a failure. Some Europeans in the district are quite capable of saying that their houses have been incurred in the particular territory where the Income Tax is in force. I should imagine that a little study would bring the Department to the conclusion that it would be wiser to institute an Income Tax simultaneously in the three districts. I want to confirm again the importance of

the Governors' Conferences, and particularly that the Committee thought it most essential, and that is a permanent secretariat to link up the various conferences, to act as a kind of liaison between the three territories.

It is a relief to know that there has been no real unfairness in customs matters, and in regard to railway rates, Lord Moyne has put his finger on the weak spot. The question of treaties has not been mentioned. I cannot say that I entirely agree with the right hon. Member for Sparkbrook (Mr. Amery), but since the Committee last discussed this matter the various interests in this country have been studying the question of the Congo Basin and have come to the conclusion that, if arrangements can be made which do not disturb the trade which is at present carried on between Southern and Northern Rhodesia and the Congo Basin, it might be well if we were relieved of the fiscal terms of these contracts. The matter calls for the careful consideration of the Department, and I am quite satisfied that it will receive such consideration. On the other hand, the interests in Western Africa have most strongly objected to the Anglo-French Convention being interfered with. The matter, therefore, should be carefully considered, although I do not see that we can do anything in the matter at Ottawa. I say this because I have had the special responsibility in collecting the views of the commercial community in this country and in Africa with regard to this matter. We had a communication by air last week from the Uganda Chamber of Commerce urging that the Congo Basin Treaty should be modified on the lines that have been discussed.

One word in confirmation of the admirable way in which the Secretary of State is performing his duties, and our confidence that when he goes to Ottawa he will bring before the Dominions, what at the present moment seems to me is not fully appreciated in this country, the immense potential value of our great Colonial Empire and the possibilities of its development. It is a matter of satisfaction that although we may have a slight difference of opinion every hon. Member has a sincere admiration for the work which is being done in our Colonies and earnestly desires that

the Colonial Office will wake up and get busy in developing this great and valuable asset.

Mr. MANDER: There are several matters affecting the Colonies, some of which have not been referred to that I would like briefly to touch upon. All the Colonies have their own particular problems, which are of first-class importance to them, and I am sure they would feel considerable gratification if they knew that some interest was being taken by this House in matters that mean so much to them. There can be no doubt that throughout the Colonial Empire there is a good deal of unrest at the present time, constitutional unrest and unrest very largely caused by the present economic conditions. It is quite natural that they should desire to advance along the line of controlling their own affairs, and we should do all we can to help towards a solution of their difficulties. I am not one of those who think that it is possible to put every thing right by handing over complete democracy to any colony that desires self government. We have to take every care in its merits and apply possibly a large variety of different systems to obtain the necessary results. We do not necessarily put things right for one moment simply by giving them two Houses of Parliament, universal franchise or anything of that kind. But it is essential that we should gradually and appropriately give the people of the different Colonies, as they may be fit for it, the opportunity of participating in the government of their own affairs in increasing measure.

Very special qualifications are required by the governors who are appointed to deal with Colonies. We have had a good fortune in the past to have had as Governors some of the finest the most upright, fair-minded and just men who have ever administered any Colony in the history of the world, but in the future we shall require men with qualities in addition to those, men with sympathy and tact, with a desire to work, not as autocrats directing what shall be done, but trying to get the good will and co-operation of those whom they govern, in fact trying to rule with the consent of the governed. I hope that the Colonial Office in making the appointments of Governors of Colonies where these rights of self-government are being widely de-

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veloped, will have in mind that perhaps the old type of Governor, brought up in the old tradition, is not best fitted for dealing with a situation of that kind, and that there should be appointed someone with the sort of qualifications that I have indicated.

If one desired, one might point to constitutional unrest in a number of instances. There is, for example, the case of the West Indies generally.

2.0 p.m. Jamaica has its problem; Trinidad has difficulties of its own. But I am going to refer to four specific examples. First of all a few words about the situation in Malta. It seems to me that the Government have acted rightly and wisely in the attitude they have taken up. I am very glad they were able so to arrange things that a general election could take place under the renewed Constitution, but I do not think we ought to be led into thinking that the result of that General Election and the return of the National Party give a mandate for one moment in favour of Italianisation or a return of the demand for revocation of the decision of the Government with regard to the teaching of the Italian language. That would be a wrong deduction to draw. Although, fortunately, the religious difficulties have been removed, or partly removed, and will gradually disappear altogether, there can be no doubt that during that General Election a very large measure of ecclesiastical pressure was exercised on the voters. That needs to be kept most carefully in mind in considering the result of the election. I was glad to hear the Secretary of State indicate that he had no intention of going back on the decision regarding the teaching of the Italian language. I hope he will take whatever steps are necessary to see that that policy is carried through. I do not know, but I imagine he would even go so far as since more to suspend the Constitution of Malta if the present Government, or the Government for the time being, refused to carry out the declared will and policy of this Parliament in that matter.

I want to ask the Under-Secretary some questions about different Colonies. First there is British Guiana. For a number of years that Colony enjoyed a special Constitution with wide powers. It was

found to be rather cumbersome and not in accordance with the Colony's needs, and as the result of an inquiry held a few years ago a new Constitution was set up in 1928. But that does not seem to have put the matter right. There is very great dissatisfaction. The new Constitution actually withdrew some of the democratic powers that the people had got, at any rate for the time being. I understand that on July 6th of last year a large public meeting was held at Georgetown, Demerara, at which a resolution was passed that a deputation, consisting of three citizens of British Guiana, should be sent over to confer with the Secretary of State and to present a memorial which had been drawn up in the Colony, setting out their profound dissatisfaction with the state of affairs under the new Constitution, and a desire that further amendment should be made, including actual proposals as to what those amendments should be. Here is one example of the sort of thing, they complain of. It was stated that in the Legislative Council, since the new Constitution of 1928 had come into force, on no fewer than 28 occasions did the Governor over-ride the unanimous wishes of all the elected members present on those occasions. I do not know whether any reply has been sent to their request for something to be done in the matter and for a delegation to come here. As far as I know no action has been taken. The Colony is in a bad way economically and in receipt of a State grant. I am sure that anything that the Government are able to say with regard to giving satisfaction to the very strongly held feelings of the people there, it would be wise to say now.

I turn for a moment to the question of Cyprus. I am sure that this Committee would welcome any information that the Government are able to give on this question, to make it clear whether we are proceeding on the right lines in Colonies of this sort. It has not been easy to get any information either from the Press or from the replies that have been given in this House. It has been suggested that the trouble is largely due to ecclesiastical pressure and domination, and that if that were removed the people would be happy once more. The ecclesiastics have been removed, and it would be interesting to know whether the people are now happy and contented, and whether things are going all right. With

regard to the removal of the bishops, I think it was perhaps a rather unwise course that they should have been deported to this country, where they have been inevitably travelling around, making such contacts as they could, and carrying on an agitation and propaganda of different kinds. Why not have deported them to the country where they are most anxious to be? Why not have deported them to Greece?

**THE UNDER-SECRETARY OF STATE FOR THE COLONIES (Sir Robert Hamilton):** They were British subjects and could not be deported to a foreign country.

**MR. MANDER:** One would have thought that these bishops would have been only too glad of the opportunity of going to Greece with which they claim to have such very great affinity. At any rate, if the Secretary of State can give us any information as to where these bishops are now, and what they are doing, and what is going to be done with them, it would be an information which ought to be given to the House.  
**MR. MANDER:** What is the position in Cyprus to-day? Is it being governed solely on Crown Colony lines; is there any executive council operating there, and if so, are there any Cypriotes serving on that council? No doubt, things have been allowed to get into a rather unsatisfactory state and although it might not be wise now to conduct any inquiry into how matters got into the state in which they were last year, one cannot help feeling that there must have been a certain amount of laxity and maladministration on the part of those responsible for the government of the island. There has been a constitution there for something like 50 years and it has been unchanged I believe throughout that period. It will not be possible to go on permanently governing the colony on a Crown Colony basis. A suggestion has been made of a form of indirect election. I do not know whether the Colonial Office have considered that suggestion but whatever policy they carry out for the future government of the island they ought to try to satisfy the demand of the inhabitants which is making them so ready to respond to the appeal of Enosis. If we can make them feel that their grievances have gone and that they are getting justice and fair play they may not

respond so readily to that agitation, but be content to remain, as the French are in Canada and the Dutch in South Africa, loyal and contented citizens of the British Empire.

I ask the Secretary of State to consider seriously whether the time has not come, as a new Governor has been appointed, and a considerable time has elapsed since the future constitution for the island was decided, to consider a form of future constitution for the island? Would it not be wise to follow the practice adopted in the cases of some of the other colonies of sending out a delegation to visit the island make inquiries from all and sundry on the spot, and bring back a report to the Colonial Office. I suggest also the advisability of considering whether such a delegation should not be a Parliamentary delegation from this point of view—that is, of sending out delegations of this kind we can have here a number of Members with personal and intimate knowledge of these colonies which must be helpful in the administration of our Colonial Empire. I hope the right hon. Gentleman will consider these points. As I say the constitution in Cyprus cannot be allowed to remain indefinitely as it is, and I am sure that the right hon. Gentleman has no desire that the island should be governed for ever autocratically.

Lastly, I wish to refer to the position in Ceylon. I have no desire to use language which will be in any way embarrassing, in the rather delicate situation which exists in that Colony. The Donoughmore Commission founded their recommendations on the idea that there was to be a very big and real advance in the self-government. In particular, the powers of the Governor which has been used normally in the government of the country, were to recede into the background and were only to be resorted to in case of need. Unfortunately, it has become necessary—I do not know why—for the Governor to use his powers on several occasions recently, and it is rather disturbing to be informed as we were informed by the Under-Secretary in a recent Debate, that there have been four instances during the short life of the new constitution, in which the Governor has used his powers of overriding the wishes and decisions of the State Council. When one looks into the reasons for that action one finds that they have reference

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to the conditions of British officials and the taxation of overseas bondholders' and things of that kind.

It is regrettable that the recommendation of the Donoughmore Commission has not been carried out in that respect. These are matters which should have been settled before the new constitution was set up. Unfortunately that was not done. They were left over, and they have apparently led to a certain amount of trouble. It will be very unfortunate if there is to be constant bickering on constitutional points which will prevent the Colony getting attention to the social and economic conditions of Ceylon, which are infinitely more important than constitutional or political points. There should be as little interference as possible by the Governor with the powers of the State Council. I am sure that he desires to exercise and does exercise tact and discretion in dealing with the Ministers and it is in that way that the trouble will be overcome.

The Donoughmore Commission stressed the importance of the Governor keeping in touch with the Ceylonese Ministers. As a matter of fact, if this were not done there would be the danger that the Governor would come to rely upon the three Ministers of State who are British civil servants. There would be a real danger of the Ceylonese Ministers feeling that they were out of touch with the Governor, and that matters were remaining very much as they had been in the past. Nothing would be better to prevent friction and promote understanding and sympathy than for the Ceylonese Ministers to feel that they were in close and friendly association with the Governor. This new constitution is the first modern development on a big scale of full democracy with an adult franchise. It has many interesting and novel features. There are no doubt certain Ceylonese politicians who for reasons of their own are not too friendly and who would not be very sorry if it did not function as well as it might, but I am sure that, on the whole, everybody desires it to work well and effectively.

In conclusion, I make one suggestion to the Committee. In the last few years we have had a number of very interesting and valuable visits by delegations from the United Kingdom Branch of the

Empire Parliamentary Association to different Dominions and Colonies. These have had very useful results, and I hope that it may be possible to arrange that the next visit of the Empire Parliamentary Association shall include Ceylon and bring us into contact with the people who are now building up their new constitution there. Such a visit would make them feel that we were interested in their efforts to rise in the constitutional scale. It would show them our desire to understand them and our sympathy with them, and it would teach us something of our responsibilities and of the great difficulties of dealing with a problem such as that of Ceylon. I hope that my suggestion will reach those who are capable of dealing with it and that it will not fall upon unfruitful soil.

**Mr. MORGAN JONES.** I confess that I was very much interested in the last suggestion of the hon. Member who has just spoken. If I may be allowed to say so, I think that it would not be a bad thing if his suggestion were accepted by the Empire Parliamentary Association and make calls at Malta and Cyprus, and a casual call, also, at Egypt, just to see the varying condition of affairs in various parts of the British Empire.

**Mr. MANDER:** Egypt, of course, is not a colony.

**Mr. JONES.** It is hard to say what Egypt really is at the moment. However, that does not concern the Vote, anyhow. I entirely agree with the point which the hon. Gentleman made. There is, no doubt, a considerable amount of unrest in all parts of the Empire at the moment and a great deal of it arising from the development of the idea of self-determination. I think it is desirable that we should look at this movement, if I may call it so, as sympathetically as we possibly can. I further agree with him, without, of course, implying any reflection upon any individual Governor in any part of the Empire, that the question of the appointment of Governors in given places is becoming increasingly a matter of great importance, because you can't quite easily have appointed to a particular area a Governor who may not perhaps be accustomed to work in areas where the principle of self-government is in operation, and who may, perhaps, privately not be enthusiastic about it. As a consequence, you may very easily

have conflicts which otherwise might be avoided. May I make this other observation, that the rather frequent occasions on which the Governors, as in the case of British Guiana and the Governor, I believe, in Ceylon, have found it necessary to veto from time to time the suggestions of the local legislative body, does indicate the possibility—I will not put it higher than that—that unless this is very carefully watched, you may have unnecessary conflicts.

On the question of Malta, I should like to say that, generally speaking, I am in agreement with what has been said by way of congratulation of the right hon. Gentleman opposite with regard to the policy he has followed. I believe he has decided—I speak subject to correction—that the Government must reserve to themselves the right of the appointment of teachers to schools, and so on. I should have been very glad if the right hon. Gentleman and his colleagues could have found it possible to have given the same measure of support to the Labour Government when they, in a much more modest way, were trying to move in the same direction round about the year 1930 in regard to domestic affairs. However, there it is. I am glad to see some indication of repentance coming from the right hon. Gentleman. [Interruption.] I was reminding the right hon. Gentleman of the legislation proposed by the Labour Government with regard to the schools of this country in 1930, and the sort of Vote he gave on that occasion. Never mind, that is only a sort of *en passant*. I rose mainly to continue the discussion, which has occupied a good deal of our time concerning Kenya; but, before I discuss the land question in particular, I hope very much that, not only with regard to the natives of that area, but in regard to the natives generally of Africa, he will consider whether the time has not come to examine the problem of the applicability of the present law generally to these people. He will remember that some six weeks ago I addressed to him a question across the Floor of the House concerning the prosecution of some 60 natives, and I am happy to acknowledge, quite readily, that the right hon. Gentleman on that occasion showed a degree of humane consideration that I would expect from him.

The Committee will remember that some 60 men had, perforce, been sen-

tenced to death. They were prosecuted for having killed a person who they believed to have been guilty of the exercise of witchcraft. Clearly, it seems to be the application of an unnecessary process of law to have to go through the process of sentencing those people to death when we know that we must commute that sentence, because, obviously, we could not allow 60 people to be put to death because they were guilty of an act which, to them, seemed to be something that was praiseworthy. I think that we ought to appoint a committee of experts, legal people, together with others, who know something about the superstitions which prevail among those people, and who feel that the legal ordinances which are now in operation in those areas should be re-adjusted in such a way as to avoid a situation such as that to which I drew the attention of the House and the right hon. Gentleman some time ago.

I turn for a few minutes to discuss the difficulty which arises in Kenya. Hon. Members may wonder why it is that we are returning to this problem so frequently. I do not think that there is any necessity for us to defend our action in returning to it, because, after all, it will be appreciated by everybody that every party in this House has been committed from time to time to a declaration which, in my judgment, was one of the most important declarations that have been made, certainly since the War, in respect of our Colonial administration, namely, that of the Duke of Devonshire in 1925. That declaration of trusteeship was reiterated by the right hon. Member for Sparkbrook (Mr. Amery) when in the Colonial Office, and reaffirmed by the present Dominions Secretary when he was there. Government after Government have been committed to it, and, therefore, we can say that, for all practical purposes, the whole House is involved, as a matter of honour, in the full and complete implementation of that declaration. But the trouble we find is that, somehow or other, for some reason or other, there have been repeated, steady and ceaseless attempts in the area of Kenya to circumvent the full implications and applications of that principle. For that reason we feel it our bounden duty to direct the attention of this House over and over again to the situation as we conceive it to be.

Let me take, first of all, the question of land ownership. My hon. Friend and,

[Mr. Jones.] I believe, one or two hon. Members in other parts of the House have directed our attention this morning, as was done on a previous occasion, to the constitution of this Land Commission which was recently sent out, and they have been very careful to say that they impute no motives nor any special prejudices to individual members of the Commission. At the same time, we must not forget what is, I think, the fact, that the Judge himself, who is a splendid legal luminary, was part, I believe, of the judicial court which declared, in regard to land in Rhodesia, that natives had no inalienable right to the land and that finally it belonged to the Crown. Whether that be the case or not—so I was informed—this is certainly true, that there is the gravest possible objection to one member of the Commission, namely, Mr. Wilson.

Let me put it in this way. Suppose there had been in Scotland a removal of crofters from a large area, and suppose that in the area from which the crofters had been removed certain, shall I say, anti-crofting elements had entered into possession, and an inquiry had to be undertaken. Would it be deemed by any Member of this Committee to be fair that one of the persons in possession of the land from which the crofters had been removed should sit on that committee of inquiry? Obviously not, and in this particular case it is alleged, I believe, without fear of contradiction, that Mr. Wilson is, in fact, in possession of land from which natives have on some previous occasion been removed.

Sir P. CUNLIFFE-LISTER: The hon. Member, no doubt on information which he will disclose to the Committee, has made a charge. I wish to say, having inquired into it quite categorically, that I am informed that, so far from that being the case, when this land was delimited, I think it was in 1929, the whole question was then gone into, and no charge was made, and no native in fact laid any claim to any part of the land of which Mr. Wilson is in possession. I am sure that the hon. Member will not mind my interrupting him, because I know he would not wish to give currency to a statement which I have inquired into locally and for which I find there is no foundation in fact.

Mr. JONES: I am very much obliged to the right hon. Gentleman. Perhaps I had better tell the Committee how I have got hold of my information. I have met several people who are well acquainted with the situation in Kenya, and not one, nor two, but several have assured me that in point of fact this is the case. If the right hon. Gentleman says it is not the case, of course, I have nothing further to say on the point.

Sir P. CUNLIFFE-LISTER: I saw the rumour that had been circulated, and I telegraphed specially out to ascertain the facts, and the facts reported to me by the Governor are as stated by me.

Mr. JONES: I am very much obliged, because from our point of view that clears the ground enormously, but I very much hope that the dis-  
2 30 p.m. claim of the right hon. Gentleman will be made public in East Africa to all concerned, for I am assured that the belief is still entertained among some of those natives that what I have stated was the case. However, so far as we are concerned, the ground is cleared. But even so, accepting that, there still remains one element of dissatisfaction with this Commission. Even though all the three gentlemen on the Commission are in every way proved to be well above bias or any sort of indirect interest, even then there is a strong case, it seems to me, for placing upon that Commission some one or two who can speak more or less authoritatively on behalf of the natives so as to safeguard their interests in this matter.

After all, everyone knows that the history of land ownership in this area is one of which none of us has any right to be exceptionally proud, and I am not now making a party point, for it was admitted in the O'Connell-Gore report, and it is stated in one report after another, that there have been incidents in connection with the expropriation of these natives which do not reflect credit upon those concerned. Kenya has emerged as a very important area for white settlement since the war, and I do not think this can be questioned either, that some of the very best lands have gone into the hands of white settlers, and that while those parts which have been occupied by white settlers are under populated, the lands occupied by native

tribes are very substantially over-populated in relation to their productivity. That is one reason, anyhow, as to why we should be constantly coming back to the operations of certain groups as we see them from time to time in the region of Kenya; and I do not mind saying, further, that we shall judge the report of this Commission with the utmost particularity from the standpoint which I have indicated, namely, the Devonshire declaration of 1923.

Now I turn to another element of the matter which is of great importance, and that is the question of conscription. The right hon. Gentleman himself declared on a previous occasion that Kenya is the only place throughout the British Empire where conscription is now in operation.

Sir P. CUNLIFFE-LISTER: I was in error, because my jurisdiction did not extend to the Channel Islands, but I believe there is much the same conscription, as the hon. Member calls it, in force in Jersey.

Mr. JONES: Then I will make that exception. I do not understand what is the fundamental justification for the application of conscription in Kenya, and the story is somewhat interesting. It is not a new proposal put up to the National Government. It is a proposal that was put up some years ago to the then Government, and rejected then, and put up again and rejected, but however frequently it has been rejected, these people have returned time after time with this demand that conscription shall be applied. Now I understand that conscription can be applied to the whites between certain ages. What is the justification for it? Is there a sort of fear that the white people are in some danger from the natives? If that is not the justification, what is it? Why should we have conscription in this part of the Empire and in no other with the exception that the right hon. Gentleman has just given. It is a matter of fundamental importance that we should have a complete justification for this big departure from the principle of voluntarism which is observed throughout the British Empire.

Unless it is assumed that you must see the whites especially against the natives I fail to understand what the justification

really is. There is also an element of industrial conscription on the natives. I will not develop that point except to say that we may by this expedient get through our present difficulties in such areas as these, but we may find that we have merely postponed them and possibly intensified them for our successors.

The House of Commons has been invited several times to discuss the Indian problem. If we go on treating those areas in Africa in this way for a generation or two, we may very well find our selves against a recrudescence of the same difficulties that we have had to face in India. I cannot understand how any enlightened administration can justify the application of either military conscription or an indirect form of industrial conscription.

With regard to the educational question, I am in general agreement with what has been said as to the excellence of the Moyne Report, but I must issue a caveat against one paragraph which contains a sentiment requiring some justification. I would like to know what the attitude of the Government is towards it. The statement, which appears in paragraph 45, reads:

"The smaller European and Asiatic communities which provide so large a proportion of the total revenue are entitled, for reasons of special standards of education and other services which it would be quite impracticable to provide for the large native population who are only able to make such a small per centum contribution to the cost of their services."

This is the point which I controvert. The implication is that there must be two grades and standards visualized in respect of educational services in that area. We do not expect immediately the complete realization of our ideals in regard to educational opportunity for the natives of Kenya any more than anywhere else, but I hope that the House will accept the idea that the outlook for the natives of these areas should be lower than that for the whites of the same area. In the ultimate resort the solid development of these areas depends upon the measure of educational opportunity. Those who have read that delightful book on the life of Dr. Aggrey will appreciate what vast possibilities he latent in the development of native education in these areas. I am sure that it is by education alone in the ultimate resort that we can afford to these people that measure of





[Sir P. Cunliffe-Lister.]

commissioners and the provincial commissioners is occupied in looking after labour interests, looking into the conditions obtaining and the relationships between employers and employed in Kenya, which always, for some reason or other, comes in for a very unfair share of attack from certain Members in this House, many of whom do not seem to be very well acquainted with the facts. Let me read what has been said by an impartial observer, a man whom everyone has quoted to-day as the ideal man to be sent out to make an investigation, Lord Moyne. What is his considered judgment as to the relations between settlers and natives in Kenya?

It is hardly necessary to state that orderly improvement in the standard of native life need in no way impair the excellent relations which now exist between the British and African communities. After a stay of about 10 weeks in East Africa I am much impressed by the amount of good feeling evident between the natives and settlers, and my observations tally closely with the statement of the Chief Native Commissioner given at the end of the Annual Report for 1930.

Then follows that marvellous tribute paid by the Chief Native Commissioner which the Moyne Report notes. The only suggestion that can be made that there is forced labour is that it is in accordance with what is laid down in the International Convention which gives us the right to call up for small local services the labour of the tribe working for the tribe, and not paid a monetary wage.

Lord Moyne's Report gives a picture of this, which I think is particularly interesting, because it is a record of a native council itself. If our Members will look at page 110 of the Report, they will see the account given at the Minutes of the Kyamba Local Native Council Meeting. They give their opinion that it is very desirable that for local purposes native labour should be called up and should work for those purposes without wages. Mark you, these are the native speaking on what they consider their own interests.

Too much money had been wasted unnecessarily last year in paying gangs of labour for upkeep of roads, and the resulting shortage of funds had seriously deflected money from being expended on the building of bridges and opening of new roads, which were of great value to the trade of the reserve. It was agreed, however, that labour should be paid for when assisting "funds" to build bridges.

To anybody who knows the conditions, that stands out as common sense. That is the only kind of forced labour that exists in East Africa.

The third matter which was raised was as to the personnel of the Land Commission. I am absolutely unrepentant as regards the personnel of that Commission. First of all, let us consider the Chairman, Sir Morris Carter, a judge with an absolutely unique experience of this kind of work. Every one whom I consulted when I said "I want a Chairman for such a body," said "There is one man you ought to get if you possibly can, and that is Sir Morris Carter." In this kind of work he has unique knowledge. I went to him and I asked him to serve, and he agreed to do so. I added two other men to that Commission. Who are they? I am told that the native interest is not represented. It is pretty well represented in the Chairman, but I picked Mr. Hemsted, about the ablest, wisest, most sympathetic Commissioner that ever served in the East African Service, with a unique knowledge of native requirements and

of native interests. Why is he disqualified from representing the native interest, if representation is what it is suggested it should be, what I want is wise judgment? Suppose that he is disqualified because, when he earned his pension after long service to the natives by local service to the natives, he will come to stay there, he will come home. If Mr. Hemsted instead of staying on in Kenya had come home to live at Cheltenham or Bath, the very men who are criticising me for appointing him to-day would have come to me and said "There is an ideal man to put on the Commission, Mr. Hemsted. He has had suitable experience. Cannot you persuade Mr. Hemsted to go out?" He is disqualified because he loved Kenya enough. That is the second man I have put on a Commission.

The suggestion that you should put natives on is absolutely in the teeth of what was recommended by the Joint Committee of this House. I was surprised at that suggestion coming from the hon. Member for Wigan (Mr. Parkinson), who was partly responsible for the Report. The House will remember that in their Report the Select Committee, dealing with what is an analogous matter, the representation of natives in the legis-

ture Council, said that they thought it would be very unwise, at this moment and at this stage, for any natives to represent the natives. What did they say? This is paragraph 107.

At the present time the suitable education and experience is lacking on any large scale, and indeed it is doubtful if there are any English-speaking natives who could command the confidence of their fellow-natives. That is the finding of Members of both parties of both Houses who sat on the Joint Committee. It was in looking at the Report of the Select Committee that I asked Mr. Frank Wilson, an expert in this capacity. I have also followed that Report, as I pointed out to the House last year when discussing this, appointing Mr. Frank Wilson, one of the paragraphs of the Report of the Joint Committee lays down, and does so wisely. I think that it is vitally important to develop in the settlers their sense of trusteeship and the sense of responsibility of the native races. As regards the question which was raised about Mr. Wilson that he was in the occupation of land which was once in native ownership in that category it would not be a serious disqualification because the whole point of this inquiry is that wherever there has been displacement new land or compensation has got to be found. But these are the facts ascertained from East Africa.

When the boundary of the adjacent Maschako Native Reserve was first defined in 1900, no objection appears to have been raised by the Wakamba to this boundary, and there is no record of any claim to the land occupied by Captain Wilson ever having been advanced by them. The boundary was demarcated in 1920, and no objection or claim was made on that occasion. No mention of any such claim was made in the Chief Native Commissioner's Report on the Native Reserve in question.

This is a pretty comprehensive answer received from Kenya to the suggestion which was made. I think that this is a body very suitably fitted to its charge, and I am very grateful to them for undertaking the work. I look forward with great interest to receiving their Report.

I now come to the very important Report made by Lord Moyne. I should like to associate myself wholeheartedly with what has been said in every quarter of the Committee as to the great qualifications which Lord Moyne had for this inquiry,—the thoroughness, impartiality and completeness with which he dis-

charged this onerous task, and the obvious fairness, clarity, and, on broad grounds, the soundness of the conclusions which he reached. It would be impossible for me to-day to pronounce in complete detail on every one of Lord Moyne's recommendations. Clearly, there are some matters which will require to be carefully considered on the spot, and I have not had the opportunity yet of getting the Governor to do so. I would say, however, having given the Report the same careful study which it is clear many Members of the House have given to it, that its general principles command general assent. What are they?

In the first place, Lord Moyne lays down that an increase in total native taxation would not be warranted in present circumstances. In the second place he lays down that native taxation should be adjusted in accordance with ability to pay, and that is equally sound. The details of the way in which that is to be worked out and administered will be a complex and difficult matter, only to be settled with care on the spot, but I feel perfectly certain that the principle is right and ought to be carried out. Then we come to two proposals which go together. The first is that we should secure for direct-native services a definite and substantial proportion of native taxation, and I think that that is unquestionably sound. It follows the general lines which the Joint Select Committee recommended. The corollary to that recommendation is that the fund which is established for these purposes by this share whatever the right share may be of native taxation, is obviously a fund which will be outside the control of the Legislative Council or the Select Committee on Estimates. These are two principles which go together. They are a natural sequence or perhaps I should say an endorsement of the general finding of the Joint Select Committee. In principle I think they are unanswerable, and without committing myself to precise details, I think that probably anyone who sat on the Joint Committee would agree that this proposal for a special Committee to administer the Native Betterment Fund is a very practical way of giving effect to the proposal which they had in mind, that a proportion of revenue should be set aside for native purposes and administered so as to secure that end to the best advantage.

(Sir P. Cunliffe-Lister.)

If we accept these four broad proposals, as I think everybody must, we are led to the conclusion to which Lord Moyne was inevitably led, that the financial position of Kenya as disclosed at the present time requires the imposition of non-native direct taxation. Something has been said about income tax being a deterrent to the bringing of new capital into the country, but an unbalanced Budget, or a series of unbalanced Budgets, will be a far more effective deterrent to capital going into the country than a moderate rate of income tax. Having once established that further direct taxation is necessary, I think the arguments which Lord Moyne advances in favour of income tax being the fairest and most equitable system of direct taxation are very strong indeed. Nor is this, indeed, a novelty in the Colonies. I have a list here, which I shall not read as it is of considerable length, of Colonies where Income Tax is already in force. I do not think Kenya could possibly be in the number of the elect who can avoid some measure of direct taxation.

I should like to say a word on the other principal matter with which Lord Moyne deals, the question of financial control and the position of the Treasurer in Colonial administration. I found the report particularly interesting because, quite independently, and long before Lord Moyne came home, I myself had been considering very carefully the whole position of the Treasurer, and indeed the whole system in the Colonies under which estimates are framed and financial policy evolved. Some weeks ago I sent a circular despatch to all the Colonies on this subject. I also made it the main theme of a speech that I made at the whole Colonial service at the Corona Club dinner. I am clear that to have a Treasurer who is simply an accountant is impossible. It is a ridiculous position. You may call him a Treasurer, but you have to have someone else with a very different outlook and power from that. Financial responsibility is not discharged by having an accountant who sees that the expenditure goes into the right column and that funds are not improperly drawn upon. I have laid down that the aim should be, at any rate in each of the larger Colonies, that the Treasurer should be in the position of a Financial

Secretary. The Treasurer, in his capacity of financial adviser to the Government, should have an office in the secretariat and should have free access to all secretarial papers in order that he may be fully conversant with all the considerations affecting the financial policy of the Government and in a position to offer advice at the time when that policy is being formulated. In any event, it should be the invariable rule that his advice should be sought in all proposals for raising revenue or involving expenditure from public funds or otherwise affected by financial considerations before decisions are taken in all such matters.

I think that is essential, but you have to train men up for the job. You could not take men who have been acting as auditors and accountants, and make them into effective Financial Secretaries. We have to see that we use some of the best men we have in the Colonial Service who will be able to assume and to discharge the functions of Financial Secretaries. I think, on the whole, I differ from Lord Moyne in what is possibly only a suggestion—perhaps I have misread it—that the Treasurer, or Financial Secretary, as I want him to be, should be responsible actually for the preparation and presentation of Estimates. I think that that must be the job of the Colonial Secretary because actually Estimates reflect policies, and in the presentation of his Estimates for the year he is really presenting the whole picture of executive and administrative expenditure. I think that that must be the function of the chief executive officer of the Government, but one must work in the very closest co-operation at all stages with the Financial Secretary.

I would carry it a stage further and say, frankly, that I consider it to be the primary duty of Governors and Colonial Secretaries to look over a period of years to the future to see what their Colony can afford and to condition the whole of their policies by financial and trade considerations. I will put the position in a sentence. I want to see them apply to the whole of their finances the kind of method which is the combination of the Treasury and the Board of Trade, assuming that both exercise their proper directive or advisory function. I hope that what I have said on that subject

will show the Committee that, broadly, I am in agreement with the general policy which Lord Moyne has proposed in that regard, and that, as a matter of fact, it had been taken in hand before he had even made his report. I hope that that policy with regard to expenditure will be followed in future, not only in Kenya, but in all the principal Colonies.

There were two or three other points of detail. The hon. Gentleman the Member for Rothwell (Mr. Lunn) said that I had authorised—and I take full responsibility for anything which has been done that in Palestine the postal workers, the Union of Railways, Postes and Telegraph Workers, should not be allowed to affiliate themselves with the Jewish Federation of Labour except for the purpose of getting sick benefits. It is true that I have authorised that step, but, in doing so, I have merely approved what was the regular practice during the whole two years of the Labour Government.

Mr. LANSBURY: What would you have done without the Labour Government?

Sir P. CUNLIFFE-LISTER: Some of the administration was far better than I expected. The right hon. Gentleman used to come down here and propose such fantastic things—there was a fall which had to be wagg'd—but when they were in office and were doing responsible jobs they were really going better than one would have expected. During the two years of the Labour Government—because this matter arose in 1929—the reason that the National Union of Railways, Postes and Telegraph Workers consisted of civil servants employed by their own union but were not allowed to affiliate with the Jewish Federation of Labour, because if they had done so they would have had to pledge themselves to obedience to the Education to come out on strike if the Federation told them to do so. The Labour Government—and I heartily agree with them—decided that civil servants should not enter into a dual obligation.

Mr. GROVES: Does the right hon. Gentleman suggest that the Labour Government instituted that innovation?

Sir P. CUNLIFFE-LISTER: Yes. I think I am right in saying that the point

did not arise until 1930. I do not think the Jewish Federation was registered, or that the Union was not registered, until then. This disallowance has been the practice ever since 1930, and I think it is quite right.

Mr. GROVES: Notwithstanding the fact that that is what the Labour Government may have done, the Secretary of State for the Colonies surely is not going to search for pinpricks in difficulties. He is not going to seek trouble. The Secretary of State for the Colonies in the Labour Government could only deal with grievances brought to his notice. The right hon. Gentleman has just said that he did not know of this matter until his attention had been drawn to it. That proves that he is not seeking difficulties and that every government, including our own, is compelled to take the line of least resistance.

Sir P. CUNLIFFE-LISTER: In this case the line of least resistance which was taken appears to me to have been a very sound line. Having acquainted myself with the facts, I entirely approve of the course taken by my predecessor and I shall certainly adhere to it. Two points were raised by the right hon. Member for Sparkbrook (Mr. Amery). In the first place he wanted to know whether I had accepted the views of the Joint Select Committee as to the functions of the Governor's Conference. I have in its entirety. When the Conference is in permanent session it regards itself as a medium of settling controversies between the different Colonies by agreeing to matters of common interest. I think the decision not to appoint a permanent railway adviser, but to send a man of unique experience to give particular advice to the railways, was a sound decision. I very much doubt whether, apart from the question of expense—I do not want to saddle these Colonies with any expenditure that can be avoided—it is possible to have a general manager of the railway and an expert adviser always there on the spot to give expert advice but not responsible for the executive action of carrying out that advice. If you are not satisfied with the manager of your railway and you think you can get a better one, you must supplant the manager of the railway.

[Sir P. Cunliffe-Lister.]

I do not like the idea of an expert adviser without responsibility and an executive manager with responsibility. I have never been quite sure what was in the mind of the Joint Select Committee on that point. If that was what they had in mind, I say quite frankly that I do not like it, but I do think it would be a great advantage to have expert advice about rates, whether the commercial management of the line could be improved and so on. That would be invaluable advice coming from Mr. Gibb with his experience of the Rhodesian railways. That is probably a better way than having the expense of a permanent adviser.

The question of discontent in Cyprus has been greatly over-rated. A certain number of politicians have made it their business to create discontent, but the bulk of the people in Cyprus desire to develop their land, and nothing has been further than the way co-operative societies have encouraged them. Among the politicians who object to British rule you will find the money lenders, who have lost a lucrative source of income by the extension of this credit. Educational work has been taken in hand and the appointment of teachers and the curriculum are now under the control of the Government. I am not greatly in love with commissions. Where a commission is necessary it may be well to appoint one, but hon. Members will agree that we really do not want to go hunting for extra commissions, and I say perfectly frankly that I do not propose to send a commission or a committee out to Cyprus. The late Governor handled the situation well and effectively, and he has been succeeded by a man of long and wide experience. I much prefer to have a man in command in whom one has confidence, and to be in constant touch with him, and I do not think that you get good results from your administrators, or good results for the countries they are sent to administer, if you follow them up by commissions and committees. Sir Reginald Stubbs, when he goes to Cyprus, will no doubt in course of time make his report to me as to what he thinks should be done in future. I am sure that the people in Cyprus are more interested in trying to get good prices for their crops and in their agricultural development than in the political questions which a number of agitators have been bringing forward.

In the case of Ceylon there have been four instances in which the Governor has used his power of settling disputes—two before my time and two during my time—in which he was not only justified in his action but actually was bound to take action. Three of them concerned the Civil Service. Under the constitution the Governor and the Secretary of State are the guardians of the Civil Service and he was absolutely right in exercising his power on those three occasions. No greater disservice could be rendered to public servants, who are carrying on services which are not too easy, or to Ceylon itself, which requires wise help in administration, than to suggest that there should be any alteration from a policy which provides that the Governor and the Secretary of State are the guardians of these public services.

In another instance was a proposal 3.30 p.m. in the Legislative Assembly that Income Tax should be charged on their loan. The view was taken that that would have been a new introduction into the general system of Colonial development. Everyone with experience in the matter is very clearly of opinion that for that to be done would react very unfavourably on the credit of Ceylon. That certainly to Ceylon itself is a matter of paramount importance, and very wisely in that case the Governor exercised his power.

Two hon. Members raised the question of the commercial treaties in Africa, the Anglo-French Convention and the early Treaties on which the St. Germain Treaty is founded. I think I spoke briefly on this subject the last time this Vote was under discussion, but I would make the position quite plain; that the attitude the Colony would adopt is this: We, the Colonies, have received now from this country a preference which by reason of these Treaties we are not able to reciprocate. The day that this country decides to denounce those Treaties, that day those Colonies will give a preference to this country. I speak not only as Colonial Secretary but as knowing the sentiment of all the Colonies concerned. It is for this Government to decide what is in the interests of British trade, the British export trade from those countries. That is a matter on which I do not pretend to pronounce. It is obviously a matter on which the Board of Trade takes its counsel, and is doing so, with

all the trading interests concerned, and it comes to a decision. If the decision which is taken is to denounce those Treaties, then that decision will be most readily accepted that the preference which the adjoining Colonies now give to this country will be equally readily given

Captain P. MACDONALD: It is this also affect inter-Imperial trade. Is there not the prospect of preference between the Dominions and the Colonies as well?

Sir P. CUNLIFFE-LISTER: I was coming to that.

Vice-Admiral TAYLOR: In view of the great importance of this matter of the African Treaties at the Ottawa Conference, where we are embarking for the first time on an Empire economic policy which presumably on principle should embrace the whole of the British Empire—if the policy is for the Empire it should embrace the whole of the Empire—and therefore on principle, at the present time at any rate, the greater proportion of the British Colonial Empire situated in Africa will be outside the ambit of that policy, I ask the right hon. Gentleman whether it is not of the greatest importance for the Government to decide now whether, as soon as possible, so far as trade is concerned, those Treaties will be abrogated, and so give the Secretary of State what he has not to-day, that is the complete freedom of action in bringing about trade agreements with the remainder of the Empire, and bringing about what it is our object to do, the greatest possible freedom of trade between those Colonies and the remainder of the Empire.

Sir P. CUNLIFFE-LISTER: I think it is entirely a question as far as this country is concerned which you ought to decide in your own trade interests. I have put the Colonial case perfectly frankly to the Committee. As far as this country is concerned the colonies, if I may use a colloquialism, are "on velvet." They say, "You are giving us a preference which, by reason of these Treaties, we cannot reciprocate." But a situation might well arise in which I, speaking from the Colonial point of view, would want to make some special arrangement with one or more of the Dominions, in which for instance I was asking for

a preference for African products in the Dominions and then, quite frankly, from the Colonial point of view, I should like to be able to say "If you will give me that preference I can give you a preference in return." From the Colonial point of view certainly\* as far as West Africa is concerned and as far as the Anglo-French Convention is concerned, I think you would be on the whole acting in the interest of those Colonies to deal with that Treaty in the way which has been suggested. East Africa is a much more difficult consideration. It is a much more difficult question with a very large number of legal complexities into which I need not enter. But the real decision which has to be taken is in the interests of British trade as a whole. If I were told that it was very much in the interests of British export trade to maintain those Treaties even although I might, from the Colonial point of view want to get rid of one or other of them, I should have to pay regard to what was considered to be the interest of the British exporter.

Vice-Admiral TAYLOR: The right hon. Gentleman has said that it is a question of whether or not it is in the interests of British trade to do away with the Treaties. I submit to him that that is not the question. It is a question of Imperial trade. The Conference is an Imperial Conference and it is a matter of principle that we should consider whether a particular course is for the benefit of the Empire. We should consider whether or not it is for the benefit not only of this country and not only the Colonies but for the benefit of trade throughout the Empire, that those Treaties should be done away with because, so long as those Treaties remain there are restrictions on trade and the greater part of the Colonial Empire cannot come into this policy of inter-Imperial trade. They require it, they look to get markets, as for instance Kenya with Canada, and so on, but they are prohibited from doing so and cannot get any advantage from the policy of inter-Imperial trade.

Sir P. CUNLIFFE-LISTER: I do not understand all this talk about questions of principle. It seems to me that what you put or do not put into commercial Treaties is all a matter of expediency.

[Sir P. Cunliffe-Lister.]

I do not like the idea of an expert adviser without responsibility and an executive manager with responsibility. I have never been quite sure what was in the mind of the Joint Select Committee on that point. If that was what they had in mind, I say quite frankly that I do not like it, but I do think it would be a great advantage to have expert advice about rates; whether the commercial management of the line could be improved and so on. That would be invaluable advice coming from Mr. Gibb with his experience of the Rhodesian railways. That is probably a better way than having the expense of a permanent adviser.

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Two hon. Members raised the question of the commercial treaties in Africa, the Anglo-French Convention and the early Treaties on which the St. Germain Treaty is founded. I think I spoke briefly on this subject the last time this Vote was under discussion, but I would make the position quite plain, that the attitude the Colony would adopt is this: We, the Colonies, have received now from this country a preference which by reason of these Treaties we are not able to reciprocate. The day that this country decides to denounce those Treaties, that day those Colonies will give a preference to this country. I speak not only as Colonial Secretary but as knowing the sentiment of all the Colonies concerned. It is for this Government to decide what is in the interests of British trade, the British export trade from those countries. That is a matter on which I do not pretend to pronounce. It is obviously a matter on which the Board of Trade takes its counsel, and is doing so, with

all the trading interests concerned, and comes to a decision. If the decision which is taken is to denounce those Treaties, then that decision will be more readily accepted in the Colonies, and we may rest assured that the preference which the adjoining Colonies now give to this country will be equally readily given

Captain P. MACDONALD: How will this also affect inter-Imperial trade, and there also the prospect of a treaty between the Dominions and the Empire as well?

Sir P. CUNLIFFE-LISTER: I was coming to that.

Vice-Admiral TAYLOR: In view of the great importance of this matter of the African Treaties at the Ottawa Conference, where we are embarking for the first time on an Empire economic policy which presumably on principle should embrace the whole of the British Empire—if the policy is for the Empire it should embrace the whole of the Empire—and therefore on principle at the present time and at any rate, the greater proportion of the British Colonial Empire situated in Africa will be outside the ambit of that policy. I ask the right hon. Gentleman whether it is not of the greatest importance for the Government to decide now whether, as soon as possible, so far as trade is concerned, those Treaties will be abrogated, and so give the Secretary of State what he has no to-day, that is the complete freedom of action in bringing about trade agreements with the remainder of the Empire, and bringing about what it is our object to do, the greatest possible freedom of trade between those Colonies and the remainder of the Empire.

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a preference for African products in the Dominions and then, quite frankly, from the Colonial point of view, I should like to be able to say "If you will give me that preference I can give you a preference in return." From the Colonial point of view certainly as far as West Africa is concerned and as far as the Anglo-French Convention is concerned, I think you would be on the whole acting in the interest of those colonies in fear that that Treaty in the way which has been suggested for East Africa as a much more difficult consideration. It is much more difficult from a trade point of view and it is hedged about with a very large number of legal complexities into which I need not enter. But the real decision which has to be taken is in the interests of British trade as a whole. If I were told that it was very much in the interests of British export trade to maintain those Treaties even, although I might, from the Colonial point of view want to get rid of one or other of them, I should have to pay regard to what was considered to be the interest of the British export.

Vice-Admiral TAYLOR: The right hon. gentleman has said that it is a question of whether or not it is in the interests of British trade to do away with the Treaties. I submit to him that that is not the question. It is a question of imperial trade. The Conference is an Imperial Conference and it is a matter of principle that we should consider whether a particular course is for the benefit of the Empire. We should consider whether it is for the benefit not only of this country and not only the Colonies but for the benefit of trade throughout the Empire; that those Treaties should be done away with because, so long as those Treaties remain there are restrictions on trade and the greater part of the Colonial Empire can not come into this policy of inter-Imperial trade. They require it, they look to get markets as for instance Kenya with Canada and so on, but they are prohibited from doing so and cannot get any advantage from the policy of inter-Imperial trade.

Sir P. CUNLIFFE-LISTER: I do not understand all this talk about questions of principle. It seems to me that what you put or do not put into commercial Treaties is all a matter of expediency.

Vice-Admiral TAYLOR: Imperial policy.

Sir P. CUNLIFFE-LISTER: My view of Imperial policy is that I want to get as much trade as I can and whether a particular treaty ought to stand or fall, ought to be altered or left intact is a business proposition and nothing else. Whatever decision will give most trade is the decision which this country ought to take and I do not think that it ought to be deflected from that decision by any consideration of principle or whatever it may be. Let us get the best decision in the interest of British trade and take that decision and carry it through. We may differ in words but I do not suppose that we differ seriously in what we have in mind.

The hon. Gentleman who opened the Debate asked me what I hoped to get out of Ottawa. He was, I thought, completely answered by my right hon. Friend the Member for Sparkbrook. He also asked whether we had made any preparations and any proposals. We most certainly have. Months ago I communicated with all the Colonial Governments and with all the Colonial producers of all the different products, and we looked into the whole of the tariffs of the Dominions and into what is not less important, the shipping facilities for goods. I was enormously helped in that particular part of my work by my hon. Friend the Member for Trarstoen (Dr. McLean), who devoted a very long time to the preparation of a chart, a most valuable contribution which I hope to use. We took all that into consideration, and then framed our own proposals which we have put to each one of the Dominions. We have said, quite frankly, "Show us the things you would like to get in order to obtain bigger trade, and in what way we can help you," and, as the right hon. Member for Sparkbrook has said, the Colonies have given a pretty good earnest of their desire, because they have given their Preferences which, as he has said, are very large, and they have made them Empire-wide, and extended them to every Dominion as well as to this country. We have said, "Here is what we should like. Will you tell us in what respect you think we can adjust our tariffs so as to give a better trade to you?" That is the answer to the hon. Gentleman, who asks what preparations we have made for

Ottawa, and what the Colonial Empire will seek to do at Ottawa. I think that I have dealt now with all the points.

Mr. MANDER: Can the right hon. Gentleman say anything in reply to my question about British Guiana?

Sir P. CUNLIFFE-LISTER: I think the suggestion was that a committee should come over to this country. I looked into that some time ago, and I found that when a Motion was put forward at that time, it did not receive much support in British Guiana. I think the suggestion was made, though it has received very little support there, that a committee should come here at the public expense.

Mr. MANDER: It has the support of the whole elected Members of the House and of a very large public meeting at Georgetown.

Sir P. CUNLIFFE-LISTER: I think that the hon. Gentleman happens to be wrong on that point. The Vote in the House did not receive the whole support. My hon. Friend tells me it was 14 to 6, and that was, as a matter of fact, my recollection. The hon. Gentleman, perhaps, is not aware that this House is making a Grant-in-Aid of £190,000 this year—I think it was £290,000 last year—to British Guiana, and I do not think, in those circumstances, it would be a reasonable proposition that any alteration in the constitution should take place. I do not think it would be a reasonable proposition, when money in so much required, that we should spend public money in order that such a Committee should come here. In conclusion, I should like to say how much I appreciate, if I may say so, the terms of this Debate and the one which took place on the last occasion.

My right hon. and gallant Friend the Member for Newcastle-under-Lyme says that I have been accustomed for a good many years to Departments over which there have been political fights. I think a great deal of that has been made up by the sympathetic consideration which I have received in this House in the work of a Department which I have begun to love.

Lieut.-Commander BOWER: I hope that I may receive the indulgence which is usually extended to Members who have the honour to address this House for the first time. I want to raise one or two

small questions in connection with the Report of the Royal Commission on Malta, and the recent general election in that island. I have no desire whatever in any way to revive the controversy between the Church and State in that island, a controversy which reflected very little credit on anybody and which is much better left alone. At the same time, one must admit that in the late election a great deal of influence was exercised by the Church, with the result that the Constitutional and Labour parties, parties which, one may say, represent the British point of view and desire the English and the Maltese languages to be used in the island, in preference to Italian, were defeated by the Nationalists. The name "Nationalist" is very wrongly applied to that party, because really the party of Lord Strickland should be called Nationalist, and I would much prefer the Italian name, because that party are concerned in imposing on the Maltese people an alien language of which 80 per cent of them are entirely ignorant. This was very clearly expressed in the Report of the Royal Commission, in one short paragraph, in which they stated—

"The small educated class of the Maltese speak English and Italian, nearly all of them both languages, in addition to their own native Maltese. Maltese is the language of the shops, markets, most of the sermons, in the schools, public streets, and in a growing vernacular platform, and in the Press. Italian has its chief footing in the University, law, medicine, and the Church, but it is not known by the majority of the people."

There have been a lot of misrepresentations on the subject of language, and I am very glad indeed that the right hon. Gentleman has said that he proposes to stand by the language decisions and that Italian will now vanish from the elementary schools in Malta.

There is one other point to which I want to refer, and that is the apology which was made by Lord Strickland to the Vatican. That apology, I think, has been misunderstood by many. A great many people have said to me: "Why should Lord Strickland apologise, and why has he gone to Canossa?" There has been no question of that. The apology was for words used, under great provocation, in debates in Parliament in this country and in Malta, and the fact that that apology was accepted by the Vatican should be a clear indication to

everybody that all the other ridiculous charges—I can use no other term—against Lord Strickland and his Ministers have been dropped.

The first apology made by Lord Strickland was made last August, and it was not accepted. The Royal Commission then reported at the beginning of this year, and a further apology was sent to the Vatican, supported by all Lord Strickland's executive. That also was not accepted, and it was not until the election, recommended by the Royal Commission, was imminent that a final apology was accepted by the Vatican, but only a few days before polling day, so that candidates were nominated in Malta under the ecclesiastical ban which was not lifted until the Sunday before polling day. Then the apology was accepted, and a cordial interview as it was stated in the newspapers, took place between Lord Strickland and certain of his Ministers and the Archbishop of Malta. That was the so-called peace, but I would like to read an extract from a sermon which was preached on that Sunday before the election by a parish priest in Malta, in which he said—

"The Church, my dear brethren, has won one of her greatest victories, that will be remembered throughout history, as it will ever be the greatest triumph of the history of the Church, a triumph over an implacable enemy of its ministers and authority, an enemy who by force of circumstances had to admit defeat, and who, while doing had to admit defeat, was doing so with hard to the Church, was doing so with his eyes opened and full knowledge of his nefarious actions. Now that our enemy has been vanquished to the dust and on his own admission has been made to see the error of his ways."

The concluding portion of that speech was as follows—

"Now for the other part of his Grace's instructions about future voting. It says most emphatically that you are to give your votes only to candidates who can give your guarantees of respect towards the Church and its clergy. You know that this same and his Grace's instructions not to give him his own admission, so you are bound by his Grace's instructions are clear, and now you know your duty."

I will give one other instance. In one of the villages of Malta a certain priest went round knocking at the doors of farmers asking if they were electors. Those who were electors were told not to vote for Lord Strickland because if they did he would get into power and then the angry God would send into their

(Lieut.-Commander Bower), which would fields worses and insects which would destroy their crops. That is the kind of influence which was exercised before the late election on an illiterate population. I mention these instances, not in any way as an attack on the Church in Malta, but merely to demonstrate the fact that the result of the election was due to clerical influence and not to a desire on the part of the Maltese people for the Italian language. Now that the so-called Nationalist party are in power, there is no doubt that they will bring such pressure as they are able to bear in order to get these language reforms removed. I was very glad to hear that there is no chance of this being done. There was a case 30 years ago where members of the elected council, acting unconstitutionally, managed to get the language reforms, which had been introduced then, done away with. We know that that will not happen again, but there is a distinct danger that the Nationalist Ministry in Malta may try unconstitutional methods. They may try to refuse to put the language reforms into effect.

That would raise a situation which could only end in a return to Crown Colony Government, but I would point out from my own personal knowledge that there is one thing in Malta in which all parties are absolutely agreed: that is a desire to have and to keep self-government. This matter is now in the hands of the Nationalist party, and I hope that they will see their way loyally to carry out effect the constitution as amended, and that they will not try to repeat the efforts of their predecessors which were successful in resisting Mr. Chamberlain's reforms of 30 years ago.

Personally, I do not think the language reforms go far enough. Mr. Chamberlain enacted that after the expiry of 15 years the Italian language was to cease to be the language of the law; it would then have vanished from Malta about 1914. If that had happened, I do not think that any of these troubles would have arisen. The Royal Commission, however, did not recommend any drastic changes. I am sorry for that because I wish I could believe, with the right hon. Member for Sparkbrook (Mr. Amery), that the language question will now cease to be a matter of politics in Malta. I do not believe it for a moment, but it would be a very good thing if it did, because in

that small island, with a population of 250,000 people, most of them scratching a bare living off the soil, the economic problems that will face them in the next few years will be very serious. I hope even now that the Maltese politicians will be able to compose these language differences and get down to the far more important business of providing a living for their own people.

Mr. ANNESLEY SOMERVILLE: I should like to join in congratulating Lord Moyne on his very great achievement in bringing agreement between the two sides of the House on the vexed question of Kenya. His report has received the commendation of both sides here, but it is not quite so popular among the non-native population of Kenya, chiefly because it recommends an Income Tax. It is quite certain that most of the settler-farmers are quite unable to pay any Income Tax, because they are not paying their way at the present time, though there are professional men in Nairobi and elsewhere who, possibly, could very well afford to pay the tax. The more sympathetic view which we find on the front bench opposite is very largely due to the understanding policy pursued at the Colonial Office under the late Socialist Government, and that was largely attributable to my hon. Friend Dr. Drummond Shiels, who showed a knowledge of and sympathy with Colonial problems which was unique. If I may venture to say so, on the opposite side. While saying this I find I have been denying myself the pleasure of congratulating the hon. and gallant Member for the Cleveland Division (Lieut.-Commander Bower) on his extremely effective maiden speech. He has shown a knowledge of his subject which promises considerable advantage to our Debates in future. I was sorry to hear my hon. Friend the Member for Rothwell (Mr. Lunn) falling back a little into the old strain in complaining of lack of consideration for matters of education and labour in Kenya, but, as my right hon. Friend the Member for Sparkbrook (Mr. Amery) has shown, those complaints are quite unjustified.

When I was in Kenya two or three years ago I had indirect evidence of the efficiency of the arrangements for labour, and as to education, I happened to visit a technical school where 700 or 800 natives are being trained in

technical matters concerning trade, in order to ensure a supply of natives who are capable of undertaking trading operations. That is an instance of the generous administration of the non-native settlers in Kenya. I was delighted to hear what the Colonial Secretary said, in the conclusion of his speech, regarding Imperial Preference and our Colonial Empire. The possibilities of the Colonial part of our Empire are enormous. In my humble judgment he is setting about his great task in the right way. He is quite right in saying that in judging a commercial treaty so far as it affects the Colonies his object is to get as much trade as he can. That is a business proposition. When one goes to East Africa and finds German barbed wire, American motor cars, and the coastal and other shipping trades being carried on by foreign vessels, one must realise that there is an immense field there to be developed to the advantage of this country, and I wish him well in his great task, which I feel sure will be carried for the benefit of this country.

Question put, and agreed to.

COLONIAL AND MIDDLE EASTERN SERVICES.

Resolved,  
“That a sum, not exceeding £908,456, be granted to His Majesty, to complete the sum

necessary to defray the charge which will come in course of payment during the year ending on the 31st day of March, 1933, for Sundry Colonial and Middle Eastern Services under His Majesty's Secretary of State for the Colonies, including certain Non-effective Services and Grants-in-Aid.” [Vote £510,000 has been voted on account.]

Resolutions to be reported upon Monday next; Committee to sit again upon Monday next.

RATING AND VALUATION (No. 2)  
BILL [Lords].

Not amended (in the Standing Committee) considered; read the Third time, and passed, without amendment.

The remaining Orders were read, and postponed.

Whereupon Mr. DEPUTY-SPEAKER adjourned the House without Question put, pursuant to Standing Order No. 3.

Adjourned at Two Minutes after Four o'Clock on Monday next, 4th July.



Members who wish to have the Daily Report of the Debates forwarded to them should give notice at the Vote Office.

The Bound Volumes will also be sent to Members who similarly express their desire to have them.

No proofs of the Daily Reports can be supplied. Corrections which Members wanted for the Bound Volumes should be clearly marked in the Report, and the vote recorded. All corrections must be received at the Stationer's Shop, House of Commons,

and later than

Wednesday the 14th 1852.

Wm. G. Smith, Stationer,  
at the Stationer's Shop,  
House of Commons.

Members may also obtain a copy of the Report of the



17302 E/31

C.D.  
R 4 JUL 1952  
C. D. 1/82  
330-11  
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Pur

Mr. Preston. 2/1/52

x Mr. *Mr. M. M. M. M. M.*

Mr.

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Parlt. U.S. of S.

Party, U.S. of S.

Secretary of State.

To go today

20138

Following is abstract of my speech  
in the House of Commons <sup>yesterday</sup> ~~on 27/7/52~~  
on Moyne report. Begins:

Tribute to Moyns. Impossible for me  
yet to pronounce in complete detail  
on every one of his recommendations.

Some matters yet require to be very  
carefully considered by Colonial  
Government which has not yet had the

*opportunities* But general principles of  
report command general assent. They are

(1) Increase in total native  
taxation unwarrantable in present  
circumstances.

(2) Native taxation should be  
adjusted in accordance with the

ability to pay. This is essential

**DRAFT** tel.

GOVERNOR

NAIROBI.

Copy to Treasury 22.7.52 on 18/100/52

Members who wish to have the Daily Report of the Debates forwarded to them should give notice at the Vote Office.

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*not later than*

**Wednesday, 6th July, 1932.**

STRICT ADHERENCE TO THIS ARRANGEMENT GREATLY FACILITATES THE PROMPT PUBLICATION OF THE VOLUMES.

Members may obtain excerpts of their Speeches from the Official Report (within one month from the date of Publication), on application to the Controller of H. M. Stationery Office, c/o the Editor of the Official Report, House of Commons, from whom the terms and conditions of reprinting may be ascertained.

The House of Commons Official Reports may be purchased directly from H.M. Stationery Office at the following addresses:  
Admiral House, Kingsway, London, W.C.2; 139, George Street, Edinburgh; York Street, Manchester; 1, St. Andrew's Crescent, Cardiff; 15, Abchurch Lane, London, E.C.4;  
or through any bookseller.

C. O.

17302 E/31

C. D.  
R 4 JUL

82

*Coast*  
330-17  
27/32  
Jr

Mr. Freeston. 17/32  
247/32  
x Mr. *Atance*

To go today  
20138

- Mr. Parkinson.
- Mr. Tomlinson.
- Sir C. Bottomley.
- Sir J. Shuckburgh.
- Permt. U.S. of S.
- Parly. U.S. of S.
- Secretary of State.

Following is abstract of my speech

in the House of Commons ~~on July 20~~ <sup>yesterday</sup>  
on Moyne report. Begins:

Tribute to Moyne. Impossible for me  
yet to pronounce in complete detail  
on every one of his recommendations.

Some matters ~~yet~~ require to be very  
carefully considered by Colonial  
Government which has not yet had the

*opportunities* but general principles of  
report command general assent. They are

(1) Increase in total native  
taxation unwarrant<sup>ed</sup> ~~able~~ in present  
circumstances.

(2) Native taxation should be  
adjusted in accordance with the  
ability to pay. This is equally  
sound. Details will require careful  
working out but principle is right

and should be carried out.

**DRAFT**.tel.

GOVERNOR

NAIROBI.

Copy to Treasury 22.8.32 on 18/40/32

(3) Direct native services should receive definite and substantial proportion of native taxation.

(4) Fund which is established for this purpose on whatever share of native taxation it is based must be outside the control of Legislative Council. In principle these proposals are unanswerable.

*or Select Committee  
& Estimates*

(5) Present financial position of Kenya demands increase of non-native direct taxation. It is ~~alleged~~<sup>argued</sup> that income tax ~~deterrent~~<sup>a</sup> introduction of new capital but a series of unbalanced budgets is a far more effective deterrent. Moyne's arguments that income tax is fairest and most equitable system of direct taxation are very strong indeed.

(6) As regards position of Treasurer I am in agreement with general policy which Moyne has proposed. Ends.

*I had already  
made 6  
copies of this  
of a copy to  
Moyne*

Report was welcomed in every  
quarter of House and recommenda-  
tions were very well received.  
Hansard follows by airmail.

~~Secrecy.~~

I assume that you will  
forward -- as soon as possible  
your concrete proposals for  
carrying out report in particular  
as regards income-tax cases  
for which I consider  
unanswerable.

SECRECY

10-84  
COPY FOR REGISTRATION

PARAPHRASE telegram from the Governor of Kenya to the Secretary of State for the Colonies.

(Dated 27th June 1932. Received, Colonial Office,  
6.40 p.m. 27th June 1932).

Immediate.

Personal and Private.

By his clear comprehensive and convincing statement on broad aspect of issues referred to him and by his valuable suggestions Hoynes has earned the deep gratitude of everyone who is genuinely concerned as to Colony's affairs and its welfare.

I agree that no increase in total of native taxation is warranted at present and that adjustment should be made in accordance with capacity to pay. Details of changes proposed will require careful examination and the question of how soon it would be desirable administratively to introduce those ultimately decided upon will call for close consideration.

In view of above and of general financial position disclosed further taxation of non-native communities is inevitable I consider and most equitable form seems income tax.

As regards Native Betterment Fund I am fully in favour of removing from control of Legislative Council and so securing for direct native services a substantial portion of native direct taxation. The practical implementing of proposals in Appendix 7 will however necessarily require very careful examination both in relation to our financial position in 1933 and in connection with general construction of the budget. I

would

would therefore prefer at this stage not to commit myself as to manner in which objects can best be achieved which both Moyne and I have in view.

I submit following observations on minor points: Paragraph No. 35<sup>(a)</sup>. The Gibb's report should be awaited. Paragraphs 103-105<sup>(b)</sup> I do not share Moyne's views entirely.

I am informed that the figures supplied to Moyne are as accurate as possible.

Impossibility of dealing comprehensively in a telegram with this important report will be realised by you but I can assure you of my keen desire to bring into operation such of the reforms recommended as meet with your approval.

This refers to your private and personal telegram June 24th. End of message.

*10716*

- (a) Railway rates on Cotton Cloth & Blankets
- (b) Decided financial responsibility, including position of Treasurer.

14 86  
Authorised by S. of S. for immediate issue.  
C.A.C.Cliffe. 13.VI.32.

(Delay in despatching is due to me.  
C.A.C.Cliffe. 24./6.).

PARAPHRASE telegram from the Secretary of State for the Colonies to the Governor of Kenya.

(Sent 1.30 p.m. 24th June 1932).

Immediate.

Personal and Private.

You are right to consult both unofficial and official members of Executive Council. But I assume that you yourself have a definite view of Moyne's recommendations, and that you will give them a strong lead. I am very anxious to give all the support possible to you. I shall find it difficult during debate to express no opinion. If I say merely that I am awaiting your views, that puts on you all the onus. But if I know that you want to carry out Moyne's recommendations generally, then I can commend Moyne's report as thorough and complete, and as appearing to me to be fair and reasonable on the whole. At same time till I have your considered views it would be improper to pronounce final judgment. I should have thought this would greatly strengthen your hands. I surmise that reaction here to Moyne report will be favourable and that there will be strong pressure to carry it out. Moyne will carry great weight here with moderate and Conservative opinion. And I must say I should to disregard his ~~recommendations~~ require very convincing arguments. It is essential that I should know at once (a) whether Moyne's facts are right in your opinion, (b) your own opinion on his recommendations.

I need not in debate disclose your views but I must know where you stand.

This refers to your private and personal telegram



Copy kept for  
23/5 23/1.

873

PARAPHRASE TELEGRAM

The Governor of Kenya, the Secretary  
of State for the Colonies.

(Dated 3rd June, 1963)

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Personal and Private.

I cannot collect unofficial members of the  
Executive Council until July 1st and I imagine they will be  
very guarded until after consultation with Political  
Associations. I shall be seeing unofficial members of  
the Executive Council on June 27th and will be able to tele-  
graph my general views on June 28th. I would urge you not  
to commit me finally on these as position here will be  
delicate and require to be handled tactfully. This refers  
to your private and personal telegram of 22nd June.

Hand 24/6/63  
(No 14)

N. 12

0000

Telegram

18057/1/32 Kya

88 11

Private & Personal

COPIED 20.6.32  
15

Governor. ~~Ranga~~ Narasimha

S. S. Das  
14. 4. 32  
10/6

The Cabinet have seen Hoque's report and have ~~expressed that~~ ~~provided~~ you are satisfied authorized me to give you full support in carrying out necessary reforms provided you are satisfied that the facts as found in the Report are substantially correct & that conclusions founded on those facts are sound.

Mr. Allen  
12/6

Yours

18057/2.

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

(Sent 7.30 p.m., 14th June, 1932.)

-----  
No 10A

Private and Personal June. Your telegram 11th June I regret that I cannot agree to publication before 24th June. I do not understand why you should not as soon as report is published appoint Committee with terms of reference revised in accordance with my private and personal telegram 27th May since it will then be possible to make it clear that in addition to other services mentioned in that telegram Committee is not asked to review expenditure on four native services for which creation of Native Betterment Fund is proposed. I had not contemplated that appointment of Committee should be postponed until I had received your reply to paragraph 2 of my private and personal telegram of 10th June.

COPY.

Original filed as No 20  
on Sub File 2.

10  
90 A

TELEGRAM Governor of Kenya to the Secretary of  
State for the Colonies

Dated 11th June, 1932

NO. 10

-----

Private & Personal. Your telegram 10th June. Would strongly urge that Hoynes's Report be published on date previously arranged. To satisfy myself as to figures and to endorse conclusions which I have not yet seen may cause considerable delay which would be very undesirable particularly as appointment of Committee referred to in your p. and p. telegram 27th May has on your advice which I and my advisers entirely endorse been held up pending publication. My Executive Council was so informed. Quite apart from local political considerations in view of present budgetary position both for the current year and still more for 1933 it is imperative that Committee should commence work at earliest possible date.

18057/2/32

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

(Sent 9.30 p.m. 10th June, 1932)

PRIVATE AND PERSONAL.

No 16 <sup>the</sup> Sub file 2

My telegram No. 121 Confidential.

1. On June 22nd I have to speak at East African Dinner. It will clearly be impossible for me to refrain from referring to Moyne Report if it has by then been published. I have, therefore, deferred publication.

2. Before publicly defining my attitude to report I shall require to be satisfied that (a) its facts are correct (b) its main conclusions are endorsed by you. Subject to my receiving your assurances on these points, I shall be prepared to give you my fullest support in carrying it out and to take the initiative where necessary.

3. In order that I may have your views by telegraph at earliest possible moment I authorise you to open package on receipt and to hand copies, under pledges of strictest secrecy, to those of your Officials whose advice is essential. Such advance distribution should be reduced to minimum and every precaution taken to avoid leakage.

792

18057/2  
K'a.

Old val 4.45p  
3/6/32 MB.

O. O.

Mr. Weston 27/1  
Mr. ~~W~~ 27/2  
Mr.

C.D.  
R 4 JUN  
D 7

Mr. Tomkinson  
Sir C. Bottomley.  
Sir J. Shuckburgh.  
Sir G. Grindle.  
Permt. U.S. of S.  
Parly. U.S. of S.  
Secretary of State.

To go on Wednesday  
at line.

DRAFT. Tol.

Gov. Navin.

(see 2)  
At suggestion of  
S. of S.

Private - Personal following from  
MOYNE begins. My letter  
sent by airmail of 25<sup>th</sup> May.  
I have agreed to deletion  
of para. 74 from Report.  
ends o  
SOSK

Let me have copy  
for head stamp.

*Sops. has seen.*

*Cap Cliffe*

*9/6*

Mr. Allen.  
Mr. Boyd.

Lord Moyne's letter to Sir Joseph Byrne of May 25th is understood to have enclosed a corrected first proof of his Report; the Department did not see the letter, which was sent in the Colonial Office bag.

When, a day or two later, it was decided to delete paragraph 74, it was suggested by Major Fosbrooke-Hobbes, on behalf of Lord Moyne, that Sir J. Byrne should be informed of the deletion by telegram. I accordingly drafted a telegram which did not include the words underlined in the attached copy. The draft was communicated to Lord Moyne, who asked that the words "at the request of the Secretary of State" be inserted. He agreed finally to the phrase which was actually sent

The Department felt that as it was always open to Lord Moyne to telegraph to the Governor direct, i.e. not through the medium of the Colonial Office, no firm ground existed for resisting his wishes.

*J. B. Cliffe*

*Mr Allen*

*9/6/32*

18057/2

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

(Sent 4.45 p.m. 3rd June, 1932)

Private and Personal Following from Moyne begins.

My letter sent by airmail of 25th May. At suggestion of Secretary of State I have agreed to deletion of paragraph 74 from Report. Ends.

*See Johnston  
As I had you the 1st  
has asked how it was that  
the words "at suggestion of" were  
come to be used - the  
message. He states it  
infers that the  
reference to him was  
Erskine 7/6/32*



SL0048 8221

10 GROSVENOR PLACE  
S. W. 1

May 26th, 1934

My dear Philip,

I hate bothering you with another letter when you are so busy but I feel you ought to have the following information and enclosures.

1) Select Committee of Legislative Council on Estimates.

This is in no way parallel to the Estimates Committee of the House of Commons. Formerly the annual estimates were considered in Committee by the Legislative Council. Delamater felt it was impossible that this Select Committee consisting of the elected Members with four Officials was set up to go through the estimates in substitution for the full Legislative Council owing to the waste of time for Official Members which was involved by the previous system of Committee of the whole Council. Any changes on which the Select Committee agree are embodied as amendments in the reprinted estimates submitted for final approval by the Legislative Council. Every official with whom I discussed the matter told me that there would certainly be strong objection on the part of the Elected Members to any restriction of their powers with regard to native services. It was for that reason that I put paragraph 74 into my original draft. As you consider the case for the Betterment Fund being put outside the interference of the Select Committee to be sufficiently established, I am of course delighted to cut it out but as this will weaken the public case

inexperience of the greater part of the staff who were charged with the enforcement of the tax.

3) Proposed Economy Committee. When I reached Kenya the settlers had expected an economist to be sent and the local press said they had wanted someone like Hilton Young or Niemeyer. I made it clear that I was not that kind of person and anyhow if I were, that they were not likely to achieve any useful result by their proposal to get an outside Chairman and local Members to sit together on a Committee to consider the economic position. Finally, Elected Members agreed that what they needed was not an Economic Committee but an Economy Committee and this will, I think, let Byrne out of his undertaking to try to produce an "Economic expert." Francis Scott and Schwartz were both very keen that Rushton the Treasurer should be Chairman but this I imagine may not be welcome to Moore, the Colonial Secretary. Whoever is Chairman will have a very difficult task as the non-official Members will not make things easy. My impression is that if you tell Byrne that either he or Rushton should in your opinion be Chairman, it is pretty certain that he will appoint Rushton.

Yours ever



97

SCALE OF INCOME TAX

TAKEN WITH SOME MODIFICATIONS FROM THE  
"MODEL INCOME TAX ORDINANCE."

(Report of Inter-Departmental Committee  
On Income Tax, Appendix II - and  
1780 (1922).

Tax to be only levied on income either arising in the Colony or brought in by people resident here or visiting for more than six months.

Allowance of £100 Income Tax free for wife and £75 for each child under the age of fourteen.

First	£150	.....	free
on next	£150	.....	6d. in the £
" "	£150	.....	9d. in the £
" "	£150	.....	1/- in the £
" "	£200	.....	1/3 in the £
" "	£200	.....	1/6 in the £
" "	£200	.....	1/9 in the £
" "	£200	.....	2/- in the £
on all over	£2000	.....	2/3 in the £

10% Flat Rate on Companies, readjusted to appropriate rate of individual taxpayer on personal declaration and production of Dividend Vouchers.

ESTIMATED GROSS YIELD OF INCOME TAX

WITHOUT DEDUCTING REBATES FOR WIFE AND FAMILY.

Earned Income - Private			
EUROPEANS	27,000		Computed from average salaries, derived from analysis of Commercial Returns, and Census enumeration under occupations.
Earned Income - Government			
EUROPEANS	21,000	} 35,500	Calculated from staff lists and actual salaries.
ASIATICS	8,000		
RAILWAY STAFF	6,500		
Companies	10,000	10% on £100,000 (Estimate)	
Private Income	20,000	10% on £200,000 (Estimate)	
ASIATICS, SOANS & ARABS, Not included above	20,000		This estimate is very uncertain.

£112,500

The figures for Earned Income are computed on a very conservative basis. The values for Companies, Private Income and Asiatics are mere estimates with very little foundation to work on.

*A. Wain*

No. 2 98

Increases in Expenditure agreed to or recommended by the Select Committee on Draft Estimates.

Report published December 1929 on Estimates for 1930.

<u>Page</u>	<u>Amount</u>	<u>Purpose for which recommended</u>
14	£ 500	Coffee and Sisal Services.
"	£5,000	Experimental work in connection with Fishery Services
15	£4,000	Expenses of Board of Agriculture and Committees.
16	£1,359	Grading and Inspection services.
"	£ 500	Appointment of Superintendent and Clerk in connection with Fencing and Dipping.
"	£ 297	Imperial Scheme for Agricultural Scholarships.
17		Additional motor lorry for the Coast Agency.
21		Post of Accountant-Administration
32		Allowances for Defence Force work.
34	£ 500	Experimental work under auspices of the Oversea Mechanical Transport Directing Committee.
"	£1,000	Preparation of Landing Grounds in connection with Development of Civil Aviation.
36	£ 300	Trade Exhibition at Antwerp
"	.....	Police Stations at Kipalibus and Thomson's falls.
43	£ 150	Allowance to Mr. J.H. Williams MBE.
38	....	Provision for Master Carpenter.
44	£1,450	Completion of Girls' Boarding House at Eldoret.
46	£1,000	Bridge over Sabaki River
"	£2,000	Kitale Water Supply
47	£2,000	Kitale Drains
"	£ 150	Water Supply at Msambweni *
7	<u>£240,000</u>	Land Bank
	<b>£ 260,206</b>	

\* This is I believe in a Native Reserve

Lord Lugard's mission to East Africa arose from paragraph 120 of the Report of the Joint Select Committee on Slaver Union in East Africa, 1911:

"The Committee have had much contradictory evidence as to the incidence of taxation, and as to the respective shares of that taxation borne by the African, the Indian and the European communities. They are unable to express any clear view as to how in fact taxation is divided between the various races, and they consider that an enquiry into the incidence of taxation under existing circumstances should be held at an early date. Such an enquiry, clearly, cannot be conducted by themselves. The Committee consider that there is sufficient evidence of the need to justify them in recommending that one should be held by an independent authority and without delay."

The terms of reference provided specially for examination of the contributions of the various racial communities to taxation and of the methods which they receive, for an enquiry into the incidence of taxation, of existing railway rates and general duties and also as to the degree and manner in which financial responsibility should be conferred on the Native Councils.

When Lord Lugard was already in Egypt a supplementary instruction was issued, directing him to review the general railway position of the Colony.

The Report contains schedules showing the direct contributions to taxation from the various racial communities, together with the receipts, and also schedules by the Commissioner of Customs of the racial contributions to indirect taxation. (para. 2).

The Customs duties are considered in some detail and the duties on imported goods and the effects of the protective duties upon the local industry are said to have hardly any particular effect. (para. 2).

Lord Moyne's mission to East Africa arose from paragraph 106 of the Report of the Joint Select Committee on Closer Union in East Africa, 1931:

"The Committee have had much contradictory evidence as to the incidence of taxation, and as to the respective shares of that taxation borne by the African, the Indian and the European communities. They are unable to express any clear view as to how in fact taxation is divided between the various races, and they consider that an enquiry into the incidence of taxation under existing circumstances should be held at an early date. Such an enquiry, clearly, cannot be conducted by themselves. The Committee consider that there is sufficient evidence of its need to justify them in recommending that one should be held by an independent authority and without delay."

The terms of reference provided specially for examination of the contributions of the various racial communities to taxation and of the benefits which they receive, for an enquiry into the fairness as between communities of existing railway rates and import duties and also as to the degree and manner in which financial responsibility should be conferred on the Native Councils.

When Lord Moyne was already in Kenya a supplementary instruction was issued, directing him to review the general budgetary position of the Colony.

The Report contains schedules showing the direct contributions to revenue from the various racial communities, based on taxation receipts, and also estimates by the Commissioner of Customs as to the racial contributions to indirect taxation. (para. 6).

The Customs tariff is examined in some detail and the opinion is expressed that the effects of the protective duties taken as a whole cannot be said to bear harshly on any particular racial community. (para. 66).

The incidence of Railway rates as between racial communities is also held to be just with the exception of the rate on unbleached cotton piece goods and cheap blankets which should be brought down to a lower classification. (paras. 34 and 35).

The Report points out the impossibility of reaching any agreement as to the relative benefits obtained by the respective communities from the greater part of Government expenditure. While therefore the cost of services of direct benefit to particular communities is shown in the schedules, far the largest amount (£1,771,100) is included in Appendix 1, Schedule 5, as expenditure on indivisible services. Attention is however drawn to the fact that although it is impossible to find any acceptable basis of division for these services, they are by no means of equal benefit as between communities. (para. 43).

It is shown that the following surpluses were contributed in 1931 by the various communities to the cost of these indivisible services after paying for their own direct services:

European (population 17,300) .....	£ 404,354
Asiatic (population 55,000) .....	389,978
Native (population 2,930,000) .....	459,144

(para. 44).

The Report points out that the contrasts between racial standards of life have made the measure of equality of sacrifice in taxation even more difficult of practical application than in Europe. (para. 45) Modern industrial organization has not yet begun to affect production in the native areas. Native craft-making and village industries hardly exist in Kenya. The capacity to pay taxes therefore remains far less fixed and measured than in the case of non-native communities. While European production is generally based on the minimum economic level of output and the wage-earner strives to secure the greatest reward obtainable in return for his regular effort, the African native does not produce at the same full pressure. Native living in their country do not tend to work for a living wage and the

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volume of output is therefore far below the maximum and is regulated mainly by the need to provide the bare necessities of life and to pay taxes. (para. 19).

~~The European community as a whole appears to be living at no higher standard than would reasonably be expected in Great Britain, whereas the standards of life among Indians and natives have been greatly improved by British rule. (para. 46).~~

It is argued that the smaller European and Asiatic communities which provide so large a proportion of the total revenue are entitled to special standards of education and of other services which it would be quite impracticable to provide for the large native population who are only able to make such a small ~~and small~~ contribution to the cost of their services. (para. 45).

Judgment as to whether Europeans have been contributing a fair proportion of the cost of indivisible services must largely depend on opinion as to how far these services are of such equal benefit to all races. (para. 47). The opinion is expressed that in the development of the indivisible services, the prevailing bias has been toward the convenience of a civilisation in which so far the native share little of the direct advantages, but although this consideration must be taken into account in weighing the adequacy of proportional contributions it is not suggested that Europeans have taken any unfair advantage of their opportunity to mould these services to suit an advanced civilisation. No formula attempting to lay down exactly what would be a fair contribution from each community could be other than entirely arbitrary. No case is found for any sudden or drastic readjustment of taxation but reasons are given for the view that the native cannot in his present circumstances fairly be expected to make heavier contributions and that if further revenue has to be raised it ought to be from non-natives. (paras. 48 and 49).

In the recent ~~parliamentary~~ evidence Lord Hays argues that there have been successive cuts in the important native betterment



services of education, roads, health and agriculture. (paras.87 to 82).

It is held that the proposal of the Joint select Committee that the Governor should year by year allocate to the native administration such funds as he thinks fit would not prove a practicable method in view of the exceptional constitutional arrangements which have grown up in Kenya. (para. 70).

It is proposed instead that a Statutory Committee be created under the Chairmanship of the Governor, to finance the major services of native betterment. (para.71). Half of the average annual yield of direct native taxation should be paid every year into a fund under the control of the Native Betterment Committee. (para.77). The twenty-three Local Native Councils of Kenya would gradually be brought into closer touch with the expenditure on these services, but in view of the present uneducated condition of the Members no immediate change is recommended in the constitution and responsibilities of these Local Native Councils. (para.80).

In connection with the Budgetary position, the history is given of the dissipation of the surplus which stood in 1928 at £270,000. On present indications it is anticipated that the current year's revenue may fall short of the Budget estimate by about £250,000, equivalent to a deficit of about £144,000 after allowing for the drastic cuts which have recently been approved on the authorized expenditure for the year. After taking into account commitments against the surplus brought forward, it is estimated that by the end of the year there may be a cash deficiency of £121,000 after making provision for the day to day needs of the Government. (paras. 108 and 109).

The Report states that there is no present indication that the financial difficulties of Kenya will solve themselves. Details are given to show that indirect taxation has already in

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certain cases passed the point of diminishing return (para. 112) and it is argued that budget stability can only be ensured by broadening the basis of tax revenue. (para. 113).

A comparison is drawn between the burden on other civilised communities who have had to maintain their solvency by adding further to taxation which had already seemed almost intolerable and that of Kenya where there is no direct taxation on non-natives and beyond adult male poll and education taxes of 80/- to 60/- and a comparatively light scale of death duties. As the resource of direct taxation is in some degree proportionate to the means of the taxpayer is therefore at present practically untapped, it is suggested that the budgetary balance could be restored by a relatively low tax on income. (paras. 117 to 119).

Attention is drawn to the need of effective measures of financial control. In Kenya the Treasurer is responsible for the collection of revenue, while the allocation of resources to provide for the various services is controlled by the local Colonial Secretary. Stress is laid on the contrast between this system and that of British Treasury control under which Departments do not begin to frame the policy on which estimates depend except in the closest touch with Treasury Officials possessing special financial experience. In the present dependence of the Colony it is argued to be more than ever necessary that there should be one official primarily responsible for co-ordinating in all its aspects and for advising both Executive and Legislative Councils on all financial matters. (paras. 124 to 126).

A tribute is paid to the good relations existing between settlers and natives. (para. 131).

The necessity for different racial standards of life is stated in paragraph 128 and it is stated in paragraph 129 that because the European community is not living at a higher rate of growth than the African community it is generally better off

than in India. Backward in many respects as are native conditions their improvement since the British Government opened up the country is far beyond what can be measured merely in terms of money. (paras. 48 and 15).

The Report discusses the present system of direct native taxation which is held to be too inelastic and rigid for present-day conditions though owing to the increase of wealth in the more favoured districts the present amount of direct native taxation could be collected without hardship if the incidence were transformed so as to vary according to taxable capacity. (para.16). Details are given of certain tribal areas where owing to the fall of prices and the lack of markets it is now very difficult for the native to find money to pay taxes, and drastic amendments of the present system are suggested so as to secure adequate differentiations between districts according to taxable capacity and between individuals according to their relative wealth. The proposals for re-casting native taxation include the separation of the present combined Hut and Poll Tax into a uniform Poll Tax of 6/- and a Hut Tax to be levied at varying rates according to the wealth of districts pending the eventual substitution of a Cultivation Tax on the lines of that now in force in Nigeria. A native live-stock tax is also recommended to be applied as a tax on wealth but only over and above a certain free allowance. (paras. 21- 25).

If it is practicable from your point of view there are obvious advantages in holding up appointment of Committee till Moyne's report is received.

18057/1/32.

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C. O.

Mr. Freeston 27/5

Mr. Allen

Mr. [unclear]

Mr. Parkinson.

Mr. Tomlinson.

X Sir C. Balmley 27.5

Sir J. Shuchburgh.

X Perms. U.S. of S. 27.5.32

X Parly. U.S. of S. 27.5.32

X Secretary of State. P.H.

Coded & sent  
10.0 pm  
27.5.32  
J.H.W.

C.D.  
28 MAY  
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DRAFT TELEGRAM.

For conson.

GOVERNOR,

NAIROBI.

Private and Personal.

Your letter 7th May.

(1) I agree to appointment of Committee, but consider as regards terms of reference that following should be reserved from Committee's review

(a) King's African Rifles, Public Debt, Pensions.

(b) Four Services for which Moyne are used creation of Native Betterment Fund.

If terms of reference are to be published before Moyne report it will be impossible to refer to (b) which could be made subject of a supplementary instruction to be published after Moyne report. In this case Chairman should be confidentially instructed so to arrange Agency that four native services are not considered before supplementary instruction is published.

This file Moyne's Report - is published

It is too late for you point of view

(2) I agree to your proposals as to composition of committee. I am inclined to think that best solution would be for yourself to be Chairman; alternatively I consider that Treasurer should preside.

(3) MacGregor has been summoned to Colonial Office.

Secer.

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*18057/1932*  
*Kenya*



Report by the Financial Commissioner  
(Lord Moyne)  
ON  
**CERTAIN QUESTIONS IN  
KENYA**

*May, 1932*



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\* H.L. 184, 1931 (Report).  
H.L. 29, 1931 (Appendices).

TO THE RIGHT HONOURABLE SIR PHILIP CUNLIFFE-LISTER,  
G.B.E., M.C., M.P., SECRETARY OF STATE FOR THE COLONIES.

### I.—INTRODUCTION.

SIR,

You appointed me on 28th January, 1932, to proceed as Financial Commissioner to Kenya with the following Terms of Reference:—

(1) To enquire into the matters specified in paragraph 105 (1) of the Report of the Joint Select Committee on Closer Union in East Africa, viz.:—

(a) the contribution made to taxation, both direct and indirect, by the different racial communities;

(b) railway freights and import duties, with a view to discovering the extent to which each community benefits or suffers by them;

(c) the amount of money expended in the interests of each community, in particular on natives and non-natives; and

(d) the degree and manner in which financial responsibility should be conferred on the Native Councils.

(2) So far as may be necessary for the purposes of the above enquiry to consider the general financial and economic situation of the Colony and Protectorate of Kenya; and

(3) to make a Report.

On 7th April, 1932, you issued a supplementary instruction in the following terms:—

“In order to make it clear that you are authorized to review the general budgetary position of the Colony, I have added the following to the Terms of Reference of your enquiry.—‘To make recommendations as to the re-adjustment of taxation and expenditure if examination of the present position under the original Terms of Reference discloses a case for change.’”

I arrived at Nairobi, travelling by Imperial Airways, on 2nd March, 1932. I returned to England by air, leaving Kenya on 8th May.

During my stay in Kenya I received verbal and written evidence from all available sources of information, official and unofficial, including the representatives of the different native and non-native communities. I discussed matters with those who either in their own opinion or in mine appeared likely to assist the enquiry. I am glad to record my appreciation of the assistance which was freely offered by all.

I visited by road the Local Native Councils of South Nyeri, Meru, Kajiado, Nandi, North Kavirondo, Marakwet, Elgeyo, Digo, and Machakos. From Mombasa I was able to see something of the less accessible coastal districts by flying northwards to Kilifi, Malindi, and Lamu, thence up the estuary of the Tana River as far as Ngao, and southwards to Vanga and the Tanganyika border. I also visited Uganda, Tanganyika, and Zanzibar, in which territories I was enabled by the courtesy of the respective Governors and British Resident to obtain much useful information from the Heads of the Administration which provided valuable materials for comparing the methods of Native Administration in the four territories. At Zanzibar I had a useful discussion with Mr. G. V. Maxwell, late Chief Native Commissioner of Kenya. On the way out from England the Civil Secretary at Khartoum was good enough to give me information as to systems of native government and taxation in the Sudan. The Colonial Office obtained at my request valuable memoranda by officers of the Administrative Service in Southern Nigeria as to the assessment and collection of the General Tax ("Haraji").

## II.—ADJUSTMENT OF RELATIONS BETWEEN COMMUNITIES.

1. I have not ventured on the vexed ground of definition of the Dual Policy in East Africa\* or "the complementary development of native and non-native communities," and to attempt to do so would be outside my authority. I have been content to take the various declarations as they stand and to assume that the Imperial Parliament agrees that there is room for all races now established in Kenya to achieve full development within the Colony and Protectorate. I have understood it to be the main purpose of my enquiry to satisfy the anxiety of Parliament that a fair balance of taxation and benefits be achieved between the various racial communities.

### Obligation to native races.

2. The Joint Select Committee on Closer Union in East Africa defined the primary obligation to the native races as follows†:—

"The principle of trusteeship implies not only the avoidance of direct injustice to the natives as individuals, but also the more positive obligation to afford to the natives, as a race, both time and opportunity to develop their latent capacities and play such part as they may eventually prove capable of playing in the ultimate destiny of the country. Every opportunity for advancement should moreover be afforded to such natives as may reach a higher level than is common to their race."

\* Cmd. 2904 (1927).

† Report of Joint Select Committee on Closer Union, Vol. I, paragraph 58.

## Security to Europeans.

The Joint Select Committee further observed\* that:

"While any discrimination, by means of subsidies or other privileges, customs duties, railway rates, or otherwise, designed to favour unduly any one community is of necessity open to serious criticism, at the same time it is most important to give adequate security to those Europeans and other non-natives who have settled in the country, and who have made a permanent home there, often under very difficult and trying conditions."

### Interpretation of principle of trusteeship in terms of concrete services.

3. In approaching this enquiry an attempt must necessarily be made to interpret the principle of trusteeship for the natives as enunciated above in terms of concrete services. In the first place, it would seem that the objective to which policy for native affairs should be directed is a general improvement of the standard of native life. In a material sense this may be translated to mean a co-ordinated effort to improve the economic conditions of the native, the general level of his intellectual attainments and domestic life, and the physical health of himself, his wives, and children. On the economic side there can be little doubt that amongst the greatest needs of the majority of native producers in Kenya to-day is training in agriculture (including animal husbandry) and increased accessibility of markets, with adequate means of communication and transport by road and rail. On the social side, education, which is eagerly demanded on behalf of their people by many Chiefs and Local Native Councils, is desirable, not only as in civilized communities as an end in itself, but also as a powerful auxiliary for the medical and sanitary services in combating that ignorance of health laws which levies such a heavy toll of suffering and of life, and also in spreading knowledge as to improved methods of agricultural production and skill in craftsmanship.

### Afro-Asian relations.

4. Before proceeding to discuss the main problem of the comparative financial treatment of the native and non-native communities, it is convenient here to draw attention to the changing relations of the African and Asiatic communities under the stress of growing social and economic competition. The gradual attainment of a higher level of education and civilization by the African is being accompanied by a claim to equal treatment with the Asian in the matter of employ-

\* Ib., paragraph 74.

ment, pay, and conditions in the public services. The time will surely come in Kenya, as it has already come in Uganda, when considerable numbers of Africans will be available who will be just as well qualified as Asians to man the lower ranks of the Government service. A matter concerning the opportunities for employment in the Colonial Administration was brought to my notice at Nairobi and Mombasa by two independent groups of East African natives, one from within the Government service and one from outside. It was represented that there is a racial discrimination between the African and Asian clerical classes in the Government service. It is a reasonable claim that entrance into the clerical class should depend on efficiency as tested by examination, and by promotion for merit from within the service in suitable cases, and not by race.

#### Relations between settlers and natives.

5. It is hardly necessary to state that orderly improvement in the standard of native life need in no way impair the excellent relations which now exist between the British and African communities. After a stay of about ten weeks in East Africa I am much impressed by the amount of good feeling evident between the natives and settlers, and my observations fully accord with the statement of the Chief Native Commissioner given at the end of his Annual Report for 1930:—

"Members of the general public have shown a consistent and increasing interest in all that concerns native welfare. Probably nowhere in the world are relations between employers and employed better than in Kenya. But quite apart from that the concern of the unofficial population for the development of native communities has manifested itself in many and diverse ways and is a particularly noteworthy factor in the social and political life of the Colony, and one which I am glad to be able unreservedly to acknowledge."

### III.—CONTRIBUTIONS TO TAXATION.\*

#### Racial classification of revenue.

6. Examination of the racial contributions to revenue has been made easier by the attention given to this subject in recent years. Administrative Officers have lately followed the routine of indicating racial classification on taxation receipt counterfoils. The Statistical Department has thus been enabled to prepare Schedules 1 and 2 of Appendix 1 (pp. 63 to 67) to show in summary and in detail the contributions of the various racial communities under the separate heads of Taxation and other Revenue for the year 1931.

\* Terms of Reference, 1 (a).

Schedule 3 of Appendix 1 (pp. 68 to 80) gives an itemized table of receipts from Customs Revenue. The allocation as between racial communities is an estimate by the Commissioner of Customs based on long experience of the habits of consumption throughout the Colony. It has been submitted to detailed independent criticism and I am satisfied that it gives a result which though obviously subject to considerable error in detail may be accepted as a fair approximation in its total figures.

#### Revenue from tourists.

7. No attempt has been made to distinguish under European Revenue between that paid by residents in the Colony and that derived from tourists. Although it might be possible to arrive at an allocation for items such as game and gun licences, there is no satisfactory basis for estimating the tourist share of import duties, etc.

#### Comparison with previous years.

8. The Statistical Officer has prepared a memorandum which is printed as Appendix 2 (page 99) in which he discusses the changes which are shown in the above-mentioned tables as compared with the position as laid before the Joint Select Committee and published as Appendix 26 to their Report.

Before discussing whether the distribution of taxation is fair as between communities it will be convenient to examine the system of direct native taxation and to consider whether the present methods and incidence can be justified.

### IV.—NATIVE TAXATION.

#### Hut and poll taxes.

9. Direct native taxation still remains in the primitive form of hut and poll taxes and every adult male native has to pay one or the other, but not both.

Three matters incidental to the administration of these taxes were brought to my notice.

#### Liability of widows.

10. The suggestion was made that no tax should be levied on huts occupied by widows.

Under the Native Hut and Poll Tax Ordinance of 1910 the hut tax is payable by the owner of every hut. Though women are not exempted as such, I am advised that under the laws of Kenya they are not in practice liable because native women can only themselves hold property as trustees for their families.

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The hut tax, unlike the poll tax, is a form of property tax, and, being levied according to the number of huts owned by the taxpayer, varies to some extent with the ability to pay. Wives are still a very popular form of capital investment, especially as their value has lately appreciated owing to the relative increase in the numbers of cattle which still remain the usual form of native currency. Women also yield a valuable income by working with their children in the fields, and they can therefore fairly be taken as a simple measure of the taxable capacity of the hut owners.

The incidence of the tax was discussed with the nine Local Native Councils which I visited, and also with many officers responsible for native administration. The objection to the tax as regards its incidence measured by the number of women for whom a taxpayer is responsible was by no means chiefly on the ground of its application to widows. The older and richer natives object to the tax because they feel that it is, in effect, one on wives, and they desire to see the tax abolished and a universal poll tax substituted. I found, however, much opposition amongst the younger men to this suggestion when it was realized that the poll tax would necessarily have to be increased to make up for the revenue to be sacrificed by the proposed abolition or modification of the hut tax. To accept even the smaller suggestion of exempting all huts occupied by widows would mean a loss of revenue difficult to measure.

While the hut tax is in force I can see no case for exempting all widows as such. To do so would indeed do much to destroy the limited discrimination between rich and poor which the tax now effects, and would go far to make it indistinguishable in its incidence from a poll tax.

The justification for taxing according to the number of huts owned is that a man with many huts will, generally speaking, have a proportionate number of people to work for him and contribute towards his taxable resources. There is no more reason to exempt from taxation the wealth produced by the agricultural work of a young and able-bodied widow than there is to exempt the same woman's produce before the death of her husband. The customs with regard to re-marriage vary very considerably between the tribes, but it is the general rule for every woman to have some male guardian, and even in tribes such as the Marakwet, Elgeyo, Lumbwa and Nandi, where widows do not generally re-marry, they are often well off relatively to the rest of the population if they have several sons and daughters and enjoy an interest in a considerable number of livestock. The inheritance of old widows without resources and past the time of work is, on the other hand, an undoubted liability and cannot fairly be justified as a ground for additional taxation. It is, however, very difficult to find any method of discrimination suitable for securing uniform treatment of such cases.

#### Variation of practice in grant of exemption.

11. I found some variation in the principles followed by District Officers in granting exemption from the tax. The Native Hut and Poll Tax Ordinance gives general power to remit taxes leviable in the case of any person who is without sufficient means to pay the whole amount of such tax and is unable to obtain employment by reason of age or infirmity. Sympathetic use is generally made of this power of exemption in favour of old persons of both sexes incapacitated from production by age or other causes. I can find no completely satisfactory formula for defining what should be grounds for exempting old women in particular, but, to prevent all possibility of any harsh exaction of tax on account of widows who are not a source of revenue but merely a liability, I recommend an amendment of the law to incorporate the following grounds of exemption which were recommended by a meeting of District Commissioners in Kavirondo in 1930:—

"If a widow is inherited by a man after she has passed child-bearing age he should not be called upon to pay.

If a widow is young and capable of bearing children her inheritor should pay. If a widow, now old, was inherited when of child-bearing age, the inheritor should pay."

#### Duration of exemption certificates.

12. Another grievance has been brought to my notice in connexion with tax remissions on the ground that District Commissioners often give exemption for only a year at a time, and that it is a great hardship for old and infirm people to have to make repeated applications at the time of yearly tax-collection. It appears from the Ordinance that there is no limitation to the time for which exemption may be given, but as there seems to be some variation of practice in the matter I recommend that instructions be given to Administrative Officers that they should not hesitate in suitable cases to grant exemption for life to old, infirm, and indigent persons.

#### Age of liability to poll tax.

13. Representations were made to me that the age at which poll tax becomes payable should be raised from 16 to 18.

This suggestion seems to have originated in the Kikuyu area where natives are in close contact with Europeans and have realized that liability to the poll tax begins only at 18 among the non-African population. The systems of native and non-native taxation are, however, necessarily different throughout, and this particular discrimination may also be justified by a definite racial distinction. Natives mature at an earlier age than Europeans and



are capable of doing a man's work at 16, at which age non-natives are still immature. Although the Ordinance provides for collection from the "apparent age of 16" the tax is in practice collected from the time when the native is looked upon as mature according to tribal custom. No registration of births is in force and natives rarely have exact knowledge of their age. The rite of circumcision however takes place at about the age of 16 and is considered as the mark of having attained man's estate. The physical appearance of natives varies little between the ages of 16 and 18. To fix liability to tax at the later age, besides involving great practical difficulty, would lead to a loss of revenue of about £40,000 per annum. Such remission would become very unpopular as soon as it was realized that it would have to be made up partly by other taxpayers less able to earn the money than able-bodied young men between the ages of 16 and 18.

#### Objections to existing system of hut and poll taxes.

14. Even if the provisions for collecting hut tax are amended as suggested, I am of opinion that this system of taxation is no longer satisfactory and should be transformed or replaced as soon as possible. Owing to the increase of monogamy the graduation of the tax according to means is becoming less and less effective, and as the natives advance in civilization its defects are becoming more obvious. If a whole family and their visitors sleep in one house, one tax only is payable, but if separate huts are provided for children and guests three taxes become due. The tax therefore discourages the improvement of housing conditions and is an incitement to overcrowding. If the hut tax is to be modified and finally replaced by a more scientific tax according to ability to pay, it is advisable at the same time to separate it from the poll tax which was grafted upon it shortly after its introduction.

Hut and poll tax has been collected since 1922 at the uniform rate of Shs. 12 throughout the Colony, except in the Masai Province where the tax is Shs. 20 for the Masai and Shs. 10 for the Wanderobo tribes, and the Northern Frontier and Turkana Provinces where it is levied at Shs. 10 and Shs. 6 respectively.

Kenya is inhabited by a large number of tribes of different racial origin, with varying customs and unequal in their intelligence and capacity for improvement. Some have been brought into much closer contact with civilization than others and marked contrasts between the economic conditions of various areas are already evident. With the development of communications and of markets, differences between the taxable capacity of districts is increasing. Whereas it is easy for natives living near towns or railways to turn their crops and livestock into money for the payment of taxes, there is much greater difficulty in the areas which are less favourably placed.

#### Low standard of native life.

15. An examination of native life close to Nairobi and other European markets gives no indication of the primitive conditions and extreme poverty found in areas which have so far been little affected by civilization. It is difficult to decide whether ignorance or poverty is the greater obstacle to improvement in native conditions and health. Even when natives have been taught by European employers or in the schools the use of soap and the elements of sanitation they are often content to leave their families in dirt and ignorance, and are apt themselves to revert to their original state and spend their earnings not on improving their surroundings but in adding to the number of their wives and livestock. Progress must therefore inevitably be slow and can only be a matter of the cumulative reinforcement of civilizing influences and the gradual defeat of deep-rooted prejudices and superstitions. In this advance education is an invaluable auxiliary provided that it does not take the easy line of too much literary training and avoids the danger of making the native discontented with the conditions of an agricultural life on which his general advancement must continue to depend. Education is however now provided by the Government on wise lines. Besides being an invaluable civilizing influence it lays special stress on training in agriculture and handicrafts. The wisdom of this policy is obvious when it is considered how primitive and insanitary are the domestic arrangements in the Native Reserves and how devoid is the average native of the knowledge and means with which to improve them.

The native hut is an ideal habitation for carriers of infective disease such as rats and insects and other vermin. Even where education is bringing knowledge of a better type of housing, few natives possess the means to get proper roofing material or to build well-lit, rectangular houses which would enable them to discourage the attentions of insect pests by the use of beds, tables, and chairs. The lack of domestic utensils such as plates and spoons facilitates the communication of internal parasites. Mosquito nets, essential in many areas to the prevention of malaria, are beyond the means of the great majority of natives. Civilization is, however, slowly advancing among natives, and they will gradually learn to profit by the benefits which it can bring to mental and physical well-being.

#### Necessitous areas.

16. Meru may be taken as an example of a back area where the native is now meeting with great difficulty in finding money with which to pay taxes. The administrative centre, close to the boundary of the Native Reserve, is nearly sixty miles from rail-head at Nanyuki. Although produce is exchanged within the area partly by barter, taxes are only accepted in money, and the necessary currency can

hardly be obtained except either by selling to the local Indian traders for export from the area or by the earnings of those who go to work in the settled districts. In 1928 and 1929 the District suffered famine owing to locusts and drought, and the difficulties of the population have been increased by the heavy falls in demand and prices for native produce. This has either rendered the crops unsaleable or made it necessary for natives to dispose of from two to four times the quantity which was sufficient in 1928 to raise the necessary money for taxation.

The following figures which were given me independently by two of the largest Indian traders, and have since been confirmed from their books, show how greatly the real burden of taxation has been increased although its nominal money-value has remained the same. They apply to the only four local products which are of sufficient value to bear the cost of transport which is Shs. 1.50 per ton-mile to Nanyuki and thence by rail. As the cost of transport and merchants' profit remain constant, the whole drop in price is passed on to the native producers:—

	Price paid to native in Meru per load of 60 lb. Shs.	Price realized in Nairobi. Shs.
Nkinna (green gram)		
1928	10	15
1932	2.50	4.50
Njahe (beans)		
1928	5	8
1932	2.50	4 to 4.50
Ghee (native butter)	Per frasila (36 lb.) Shs.	Shs.
1928	57 to 58	61 to 63
1932	19	22 to 25
Cattle hides		Price realized in Mombasa. Shs.
1928	36 to 37	40 to 43
1932	4	6 to 6.50

Goat skins which were bought at the price of Shs. 22 for 20 skins in 1928 are now unsaleable in Mombasa. During tax collection last year the price of bullocks fell to from Shs. 15 to 30 each as compared with from Shs. 30 to 50 each in 1928.

The fall in prices and the increased burden of real taxation has destroyed the natives' purchasing-power for the blankets, cotton piece-goods, and "jembes," or hoes, for which there was a demand until 1928. On my visit it was noticeable that far fewer natives were wearing blankets and strips of calico than I had seen in other districts. Much propaganda had recently been directed to the object of increasing the production of the native by substituting the "jembe" for the wooden digging-stick. Although these implements cost only Shs. 2 and natives are now aware of the advantage they afford as compared with the older methods, their purchase is impeded by lack of cash. Ploughs, cultivators, and harrows, costing about £3 apiece, and carts costing about £8 are now far beyond the means of the natives, yet their use would be of great benefit. Opportunities for earning money by working outside the Reserves are now greatly decreased owing to the fall in the demand for labour among the settlers.

Reports by the District Commissioners of Nandi, Elgeyo, Embu (Mwimbi and Chuka) and by the Provincial Commissioners of the Masai and Coast Provinces, printed as Appendix No. 3 (page 107), show that the case of Meru does not stand alone. In contrast to the position of such Districts, where distance from markets is causing difficulty in turning crops and livestock into the currency needed for paying taxes, I found other areas where, in spite of the fall in prices, there were clear evidences of prosperity. All things considered I am of opinion that the present amount of direct native taxation could be collected without hardship if the incidence of taxation were transformed so as to vary according to taxable ability.

#### Native resources.

17. No reliable figures exist on the subject of native resources, and estimates which are often quoted as to average income should be accepted with the greatest reserve. Although rough estimates of agricultural production in the Native Reserves have been published, no firm foundation yet exists on which to base reliable opinions.

In this connexion I explored the basis of the figures alleged in the Report of the Kenya Labour Commission of 1927 to give a fair average for the cash value of native production in the Reserves. An examination of the departmental files and the criticisms of Administrative Officers in touch with the Reserves have disclosed how misleading it would be to accept any such estimate as a true picture of present conditions.

The Labour Commission consisting of experienced agriculturists and business men was set up to examine the needs of the Colony for labour outside the Reserves. For comparison with the conditions of native life in European areas they gave an estimate of average

cash-returns received by an assumed family or producing-unit of four and one-third persons inside the Reserves. The validity of the estimate depends on the accuracy of the agricultural and statistical assumptions on which they were based, and these assumptions have been strongly contested by the Native Administration, who have independent and certainly not less reliable sources of information.

The Director of Agriculture has prepared for the purpose of this enquiry entirely different figures founded not merely on estimates as in 1927, but on the result of recent definite computations of crop yield obtained by inter-planting and other methods of cultivation from the more productive soils of the Nyanza and Kikuyu Provinces. These new figures show a much lower estimate of the average proportion of produce sold off the shamba than that on which the calculations of the Labour Commission were based. He adds the reservation that in other areas with less productive soil the "figures of production furnished would not be attained. There are certain areas with small populations in which production is barely sufficient for the maintenance of the population and where food shortages periodically occur. There are also large areas inhabited by purely pastoral tribes to which these figures of production do not apply."

Bearing these limitations in mind and also the consideration that a large and varying proportion of production is not turned into cash at all, but if sold off the shamba is the subject of a barter transaction, and in view also of the great variations in wealth as between individuals, the danger of relying on average figures becomes apparent. After careful enquiry and examination of information available since 1927, I therefore endorse the view expressed by the Kenya Government, at the time, that the validity of the average figure for native production in the Reserves as published in the Report of the Labour Commission is open to so much criticism that it cannot possibly be made the basis of any conclusive argument.

Accurate information on this subject is of great importance, not only for the purpose of ascertaining taxable capacity, but also as a foundation for wise policies of development. The Chief Native Commissioner in August, 1931, issued instructions to Provincial Commissioners to prepare reports in the nature of economic surveys.

#### **Improvement in native standard of life.**

18. I was assured by many impartial observers with long experience in the country, including several missionaries, that in the districts in closest contact with European civilization and markets the native standard of living has very markedly improved during

recent years. Even, however, if such increase of wealth were easily measured, accepted European tests of taxable capacity would be misleading if applied to native conditions in Kenya.

#### **Contrast between Native and European production.**

19. Modern industrial organization has not yet begun to affect production in the native areas. Native craftsmanship and village industries highly developed in other parts of Africa, hardly exist in Kenya. Native capacity to pay taxes therefore remains far less fixed and measurable than in the case of non-native communities. European production is generally based on the maximum economic level of output and the wage-earner strives to secure the greatest reward obtainable in return for his regular effort. The African native, however, does not produce at the same full pressure. The volume of output is far below the maximum and is regulated mainly by the need to provide the bare necessities of life. Natives living in their Reserves do not need to work for a living wage. Wants are still few and primitive—livestock and wives remain practically the only form of investment and accumulation of wealth. Under these conditions, natives pay their taxes not out of a fixed income but by means of additional production in the Reserves or, alternatively, they may choose to earn the money by a few weeks' work in settled areas.

#### **Comparative rigidity of native taxation in Kenya.**

20. Whereas hut and poll tax has been collected since 1912 at four different rates in Kenya, there has been a much greater variation in the neighbouring territories. In Tanganyika, for instance, eight different rates are in force varying from Shs. 4 to Shs. 15, and frequent changes are made according to the relative plenty or scarcity of crops. I am advised that no serious difficulty or discontent would be caused in Kenya if the same elastic methods were to be applied and if not only varying rates but also, as suggested below, different systems of taxation were to be in force in neighbouring areas.

At the same time, under existing conditions in Kenya, it cannot be expected that the change-over to a fairer system of taxation will be altogether popular. Natives are accustomed to the present arrangements and, while those whose burdens are reduced will remain inarticulate, those who have to pay more will naturally complain. This however is no sufficient ground for perpetuating the present ill-adjusted system.

#### **Proposed transformation of native taxation.**

21. Increased flexibility and closer adaptation to taxable capacity might be achieved by the following changes which are here indicated only in outline.

**Hut Tax.**

Hut and poll tax should be varied according to the taxable capacity of each District, the rate varying between, say, Shs. 6 per hut in the remote and poorer Districts and Shs. 20 in the richer Districts where the present tax is borne without difficulty. When the new uniform poll tax (see below) is brought into force, the hut tax should be reduced to a rate varying between Shs. 2 and Shs. 14 according to District (cp. para. 25).

**Poll tax.**

22. Poll tax as now collected should be replaced as soon as possible by a uniform adult male poll tax at Shs. 6, collected by means of stamps to be affixed to the registration certificate (Appendix 4, page 111). This change would solve many difficulties now occasioned by collecting poll tax in the locations. Men who are absent working far away from their villages are believed now sometimes to pay twice over, the father in the Reserve and the son at his work, each without the other's knowledge. In spite of all the efforts made to trace men, and of much correspondence between Administrative Officers, many also avoid payment altogether, because of the difficulty of verifying, in a centre such as Mombasa, how many of the 10,000 up-country natives working there have already paid the tax in their villages.

The separation of hut and poll tax would also greatly simplify checking the hut tax as receipts could then be left in the hut as evidence of payment instead of being carried away to other Districts. It often happens at present that men working outside the Reserve take hut-tax receipts away as evidence that they have already paid tax and are not again liable. I am assured that this change of method when fully applied will immediately save a great amount of labour to District Officers, and when the cultivation tax (see paragraph 24) is also in force it will do away with the necessity of tax collection in villages by European officers. It is estimated by the Chief Registrar of Natives that the additional work in his office could be carried out by six to eight African clerks, and that the expenses of the additional staff and other necessary incidentals would certainly be more than covered by the closer collection of tax. Owing to the number of temporary registration certificates now in circulation the change-over to the new method here suggested could necessarily be achieved neither immediately nor simultaneously throughout all Districts.

**Livestock tax.**

23. Native livestock tax as outlined in Appendix 5 (page 111) should be instituted as a tax on wealth only, applicable over and above a certain free allowance of livestock sufficient to provide the necessities of life. It should enable a greater differentiation of taxation

according to means and should allow of relative lightening of burdens upon the poorer Districts. While the hut tax differentiates against the native who invests in many wives, it is unjust that he who receives the price in livestock of many daughters should escape an equivalent burden.

This tax would have an additional advantage in discouraging the over-stocking of native pastures, which in certain Districts is becoming an acute problem since British rule has prevented the raiding of cattle, and the natural check by animal disease has to some extent been brought under control. No census of livestock has been attempted in the Native Reserves, but the Administration estimates that cattle have increased from 4½ million in 1924 to at least 5 million in 1931, while sheep and goats increased from 6 to 7 million. Livestock owned by native squatters on European farms now amount to 223,584 cattle, 191,671 sheep, and 285,000 goats. It has been suggested that the collection of such a tax would be hampered owing to the difficulty of finding markets and that its imposition must wait for the establishment of meat factories to deal with native cattle.

**Meat factories.**

The experience of Tanganyika in this matter is not encouraging. A factory has been established at Mwanza in which it is hoped that 10,000 cattle will be dealt with every year. Their quality, however, is such that the price paid to native stockowners has now fallen to Shs. 6-50 per head. As the Government have to subsidize the factory to the extent of £3,000 a year, practically the whole amount which is paid at present prices to the native seller comes indirectly from Government funds. It is probable that the Masai would not sell their stock for so low a price as Shs. 6-50 and would prefer to slaughter them so as to dispose of the hides after consuming the meat. Conditions would have to improve very materially to justify the establishment of meat factories in Kenya. Although the problem of marketing of native cattle will need to be watched, I am informed that practically all animals which are offered for sale, now find purchasers. The researches of Dr. Orr and Dr. Gilks suggest that many tribes suffer from a deficiency of animal protein. Propaganda among native consumers in favour of a mixed diet may therefore be justified for the improvement of their health and would help to ensure a sufficient market for cattle sold for tax payment.

The Ormsby Gore Commission reported\* to the effect that it would be unjust to impose an additional tax on the chief form of native wealth unless a corresponding tax is imposed on non-natives. If another recommendation† of that Commission in favour of a

\* Cmd. 2387, page 32.

† *Ib.*, page 175.

non-native income-tax be also adopted there will no longer be any just ground for grievance on the part of natives, as the native and non-native systems of taxation are entirely different and the only common principle that need be considered is that both should be based on reasonably equivalent sacrifice.

#### Cultivation tax.

24. Native cultivation tax (Appendix 6, page 112) should be substituted for the hut tax, at first experimentally in the more advanced and most suitable Districts, but eventually throughout the Native Reserves. If this policy be adopted it might be well for an official familiar with the system of cultivation and cattle taxes in force in Nigeria to be lent to Kenya to advise how they could best be adapted to local conditions.

#### Effect of proposed changes.

25. Of the above changes those outlined in paragraphs 21 and 23 are the most urgent and could be applied without delay; those described in paragraphs 22 and 24 though equally desirable would involve longer preparation. The actual regrading of taxation between the various areas would be a matter of careful and gradual adjustment. The halving of the poll tax from its present general level of Shs.12, owing to the relatively small proportion of these taxes collected, would not in itself have much effect on the totals to be made up from the two other forms of taxation. In certain of the Districts which were visited and where the taxes are recorded separately the figures indicate that a probable ratio may be about four hut taxes to one poll tax, and, if this experience be found to be a fair sample for the whole Colony, the loss caused by halving the poll tax could be made up by substituting for the present hut and poll tax of Shs.12 a total payment of Shs.13.50 for the owner of a single hut, made up of Shs.6 uniform poll tax and Shs.7.50 payable on the hut. It must not be understood, however, that this average would actually be applied because the total native burden of direct taxation should be spread, according to the local resources of Districts, between the hut or cultivation tax and the native livestock tax.

#### No case for increase in native taxation.

26. I wish to emphasize that these changes are recommended not for the purpose of any immediate increase in the total yield of native taxation but so as to secure adequate differentiation between Districts according to their taxable capacity and between individuals according to their relative wealth.

### V.—RAILWAY RATES.\*

#### Scope of enquiry.

27. I have thought it well to interpret the Terms of Reference rather narrowly in view of the appointment of a Railway Commissioner to consider the larger questions of inter-colonial railway rates and railway finance raised in paragraph 46 of the Report of the Joint Select Committee. My enquiry into the fairness of the present railway rates as between the different racial communities has therefore been limited to an examination as to whether services which are used mainly or entirely for any one race are charged in accordance with the accepted rating principles, or whether these principles have been neglected so as to confer an unfair advantage or, alternatively, to impose unduly heavy charges upon any racial community.

#### Principles of rating policy.

28. These principles have been enunciated as follows:—

- (a) Get traffic. The more traffic carried the less it costs to carry.
- (b) Charge no rate so high as to stop the traffic from passing.
- (c) No rate to be so low as not to cover the additional cost incurred by the railway in dealing with the traffic to which the rate applies.

The principle (b) may be taken as the maximum rate based on capacity to pay, and (c) the minimum fixed by the price at which the railway can afford to take business.

There is no evidence to show that the existing rates have been fixed other than in accordance with the above principles of sound railway administration.

#### Construction of branch lines.

29. So far as railway construction is concerned the advantages have been fairly divided between all communities. In the case of the branch lines, the Thika-Nanyuki branch was built to provide for 50 per cent. European and 50 per cent. native areas. Thomson's Falls and Kitale branches are almost exclusively in European areas, and the Kisumu-Yala-Butere branch exclusively in native areas, as is also the Soroti line. The Solai branch is mainly European, but also serves a proportion of native interests. Regarding the main line, almost the whole of the Uganda extension was built to serve native areas.

\* Terms of Reference, 1 (b).

### Passenger-train fares.

30. It does not appear from an examination of the scale charges of passenger-train fares that undue preference is given to any one class of the community. The services rendered in the way of comfort and facilities are in accordance with the fares charged.

### Parcel-goods rates.

31. All traffic conveyed by passenger train is charged at the same rates, irrespective of its source, and all these rates are remunerative.

Receipts from this traffic are derived almost entirely from the non-native communities.

In addition to these services by passenger or mixed trains, there is also a reduced scale of charges on a very low basis for loads of native produce carried by third class African passengers.

### Freight-rates policy.

32. In regard to freight rates, in addition to the general principles of railway rating, the Railway Ordinance lays down (Clause 13) that the service shall be administered on business principles, due regard being paid to agricultural and industrial development in Kenya and Uganda by means of cheap transport. Generally speaking, no very great progress has been made in industrial development, and both countries are, to a very considerable degree, dependent upon agricultural development, both native and European. The Asian remains as the small shopkeeper, middleman, or skilled labourer.

The policy adopted to accord with Clause 13 of the Ordinance has been to provide cheap transport for the export and marketing of agricultural crops and for necessities of agriculture, such as manures and implements for cultivation, etc. This policy, of course, necessitates that higher rates must be charged on traffic other than that connected with agriculture or industry in order to secure the financial position of the railway. Broadly, the policy has been for low export rates and high import rates, except on those articles used principally in agricultural development.

### Export rates.

33. The classification of the export rates is, roughly, as follows:—  
Coffee.—A European crop in Kenya, but a native crop in parts of Uganda and Tanganyika.  
Cotton.—An entirely native crop, but confined to Uganda and Tanganyika.

Grains, including barley, beans, oats, peas, rye, sharps, wheat.—European and native crops.

Rice, tapioca, matama, millet, wimbi.—Almost exclusively native crops.

Fibre, sisal, flax.—Entirely European crops.

Maize.—European and native crop, but mainly European.

Soda and soda ash.—The only large industrial development in the country giving employment to Africans under European supervision.

There is no important crop, either native or European, which is not provided for in the way of cheap export rates, most of which do not cover full charges including interest and depreciation.

The rates per ton-mile compare favourably with the relative values of the commodities. For instance, the receipt per ton-mile for coffee, which is a commodity of high value, is 13·184 cents, but in the case of beans and peas, which are of low value, the receipts are as low as 3 cents per ton-mile.

### Unremunerative rates.

34. In recent years some of the export and exceptional rates became unremunerative owing to the complete reversal of the conditions under which it was financially sound for the Railway Administration to encourage the export of produce by quoting specially low rates so as to obtain a return load for trucks carrying the high-rated import traffic. Export tonnages of certain low-rated commodities, notably maize, increased as was intended. When imports fell relatively to exports, the traffic conditions became reversed, and trucks had to be hauled empty from the coast up-country to bring down export traffic. As from 1st January, 1932, however, these losing rates have been revised and are now fixed on a basis which, I am informed, will not only cover the cost of direct haulage, but also make a small contribution to overhead expenses. I have reason to believe that with the following exceptions the incidence of rates is on the whole fair as between racial communities.

### Cotton cloth and blankets.

35. It has been represented to me that unfair rating discrimination operates in the case of cotton cloth and blankets which are classified at the highest rate in Class 1.

The definition of Classes 1 to 5 is as follows:—

Classes 1, 2, and 3:—Articles of high value, fragility, or expensive to deal with.

Classes 4 and 5:—Articles of every-day use, the value of which will permit a fair transport charge.

These commodities are mainly but not exclusively purchased by the native. The Railway Administration has, from time to time, had under consideration the reduction of the rate to Class 3, but it has been represented to them, and confirmed by enquiries, that such change would amount to an average reduction in selling cost of 2.4 cents per yard only, in the case of cotton cloth, and of 27.3 cents in the case of common blankets. It has been stated, however, by certain trade organizations that the minimum reduction that could be passed on is 5 cents in the case of cotton cloth and 50 cents in the case of blankets. On the other hand, I was informed by the Indian Merchants' Chamber at Mombasa that a reduction of 10 cents would certainly be passed on in the case of blankets.

On looking, however, at the definition of Classes 1 to 5 mentioned above, I am not satisfied that even Class 3 would be a suitably low classification for cotton cloth and blankets, for this class appears to include articles of higher value or of greater fragility such as china ware, crockery, cinematograph films, electrical and power accessories.

I therefore recommend that cotton cloth and blankets of the cheap qualities used by natives should in future be included either in Class 4 together with such articles as condensed milk, dog biscuits and books, or in Class 5 which covers other commodities of every-day use such as orange-squash, salt soap beer and onions.

## VI.—IMPORT DUTIES.\*

### Customs Union.

86. A Customs Union is now in force between Kenya, Uganda and Tanganyika and the tariff applied since April, 1930, was based on the recommendations of an Inter-Colonial Customs Committee which reported in March of that year. Representations were made to me by the Indian Merchants' Chamber at Mombasa and by the Indian National Congress against the protective duties now levied on certain produce which competes with local agricultural production.

### Protective duties.

These protective duties applied through suspended duties as distinct from basic duties have been introduced with the object of assisting the establishment of local industries for the supply of flour, sugar, timber, rice and other products including ghee and as mentioned in paragraph 111 of this Report they appear to be soundly justified in view of the evidence of decreases in

imports. The "suspended duties" differ from basic duties in that, although they are included in the schedules of the common tariff, they are imposed not by the Tariff Ordinance itself, but by Proclamation issued by the Governor with the approval of his Legislative Council in any of the three territories. This allows for a defined margin of elasticity in the matter of imposition on specified articles of "suspended duties" as distinct from basic duties without interference with the main principles of the common tariff. The protective effect of suspended duties is by no means exclusively designed for the benefit of non-native agriculture. They also afford protection for native production in the cases of rice and ghee and both native and non-native production in the case of sugar. There is no evidence that the application of these duties has unfairly affected the incidence of taxation on the various communities.

### Specific duty on unbleached cotton goods.

87. The Indian communities also drew my attention to the specific rate of 30 cents per lb on unbleached cotton piece goods which at current prices was equivalent to 42 per cent, as against the standard *ad valorem* rate of 20 per cent. Owing to the heavy duty on the price of Japanese piece goods to which this rate mainly applies, the specific rate is now much higher in comparison with the *ad valorem* rate than when it was last adjusted in the tariff revision of 1930. It was then reduced from 40 cents to 30 cents and in view of the fluctuations in prices it is inevitable that at certain times such specific rates should vary considerably in their *ad valorem* equivalent. It would not be practicable continually to be changing specific rates, but I recommend that the prices ruling for these cotton goods, which are almost entirely purchased by the native population, should be carefully watched and that the specific rate should again, if necessary, be adjusted when the next periodic revision of rates takes place.

### Balance of advantage between communities

88. Upon the adoption of the new tariff in 1930 the Inter-Colonial Customs Committee reported as follows:

So far as possible alteration in the incidence of taxation among the various sections of the community is concerted adjustment of the specific rates of duty will benefit primarily the non-European races, the loss following reduction of taxation necessities being to some extent redressed by an increase in the rate of duty on tobacco, a semi-luxury article.

Modifications of the duties on cement, passenger carrying vehicles, parts and accessories, proprietary medicines, mechanical tools, etc., will be of undoubted benefit to all communities as the Committee has every reason to believe that the reductions

proposed are such as will in fact be passed on to the consumer, and is fully satisfied that the incidence of taxation will not be appreciably disturbed by the adoption of its recommendations."

Although in recent years Customs duties have been increased and Excise duties imposed mainly for the purpose of raising revenue, an effort has been made to differentiate between the rates of duties imposed on necessities and luxuries respectively, and attention has been paid to the fact that there is always a point in Customs taxation at which consumption drops and receipts diminish.

#### Free List.

39. The tariff is designed to allow free importation of articles necessary for the agricultural, industrial, and educational development of the territories. It was suggested that it would be of interest if I could obtain an itemized list of annual imports showing the value of those free from duty and allocated, as in the case of the dutiable imports shown in Appendix 1, Schedule 3 (page 69), between the communities in accordance with the considered opinion of the Customs authorities concerning the uses to which the various commodities are put. The Commissioner of Customs for Kenya and Uganda, however, informs me that he does not consider that such a list could be accurate enough to be of any value. Whereas he is able to judge with some confidence which community purchases the articles of common consumption included in the tariff, he would have no experience to guide him in the very different case of articles imported for constructional purposes and agricultural development. After examining the tariff and considering the recent drop in revenue from import duties I am satisfied that the point of a diminishing return has in some cases already been passed and that it would certainly not be to the interest of the Colony in its present stage of development to extend the range of import duties by including those articles which are now on the free list.

#### Fairness of present tariff.

40. In my considered opinion the tariff as at present framed is just in its incidence upon racial communities so far as the main structure is concerned. Each territory has a margin of elasticity in the matter of imposition of protective as distinct from revenue duties, the needs of the Colony are already being met to an increased extent by local production of many of the articles involved, and, although the maintenance of an absolute balance as between the various communities is a practical impossibility, the effects of the protective duties taken as a whole cannot be said to bear harshly on any particular section.

## VII.—EXPENDITURE ON COMMUNITIES.\*

### Racial classification of expenditure.

41. On examining the existing materials for estimating the amount of money expended in the interests of each community, in particular on natives and non-natives," it appeared that, although considerable attention had been directed to defining the position as regards native services, no comprehensive classification to cover the other races had yet been attempted. It seemed best, therefore, to abandon the basis of classification of expenditure which was adopted for the years 1929 and 1930 and submitted to the Joint Select Committee, as that dealt only with native services and was framed to show that the native community received a fair return in Government expenditure for the revenue contributed.

### Basis of classification.

42. In order to do this, the earlier classification took into account the estimated cost of housing Government officials employed on native services, an addition to their emoluments representing the pension liability which ultimately would fall upon Government revenue, and also the estimated cost of reliefs, leave pay, and passages. A classification of that nature, whilst it may give a fair picture of the real cost to Government of native services, cannot be adopted as a basis for allocating the actual expenditure of any one year to the various racial communities which contribute to the Colony's revenue. It has accordingly been necessary to separate direct racial benefits from the Colony's indirect expenditure. Owing to the impossibility in the case of many services of arriving at anything beyond a rough estimate in apportioning Headquarters Administration charges between the various community services, these costs, as also those of pensions and housing, are in all cases shown in the schedule of indivisible general services.

### Military and Police.

The cost of the Military and Police which in the previous classification was allocated partly to natives has now been shown as a general service since it is thought that the cost of defence and protection benefits all communities alike regardless of the disposition of the forces. The cost of administrative personnel has also been shown as general service as it is not possible on any accurate basis to allocate the services of District Officers to any particular community.

Notes 1 to 7 which follow Schedule 9 of Appendix 1 on page 85 show generally the basis on which the more important heads of expenditure have been apportioned by the departments responsible

\* Terms of Reference, 1 (c)



The division of services according to the benefits derived by various communities must be largely a matter of opinion and, in many cases, although the direct advantage of a service may appear to go to one community, indirect benefit may also be derived by another. I have discussed many of the detailed items with those responsible for the services, and Appendix 1, Schedules 4 to 9, pages 81 to 96, give, in my opinion, as far a picture as is possible of the incidence of benefits between communities.

#### Indivisible services.

43. By far the largest amount of expenditure, however, is shown in Appendix 1, Schedules 4, 5 and 10, on pages 81 and 97, under indivisible services. The impossibility of finding any arithmetical equivalent for the benefits derived from these services is made clear by an examination of the items. Although I have been unable to find any acceptable basis of division for these services, it is evident that they are by no means of equal benefit as between communities.

### VIII.—BALANCE OF CONTRIBUTIONS AND SERVICES.

44. Having apportioned revenue and expenditure for 1931 as far as practicable on a community basis, it is now possible to consider the result in the form of a balance sheet. As information does not exist to enable the costs of services to be divided between the Asiatic races, Schedule 10 of Appendix 1, page 97, shows contributions of Indians, Goans, and Arabs grouped under the same head. It is thus seen that after paying in each case for the services by which they directly benefit, the following surpluses are left over by the various racial groups as contributions towards the costs of the indivisible services.

	Contributions.	Services.	Surplus.
	£	£	£
European	665,781	171,247	494,534
Asiatic	385,658	46,080	339,578
Native	791,100	331,956	459,144

#### Adequacy of contributions.

The problem as to whether the contributions are adequate cannot be decided by any accepted test, and judgment must depend on a balance of considerations. The latest population figures are as follows:

European	17,285
Asian	56,903
Native	2,950,000

Europeans, by far the smallest community, are thus paying the largest contribution of any of the three groups towards the cost of common services.

The matter, however, cannot be judged merely on a community basis. Although owing to differences between the levels of European, Asiatic and Native civilizations the various communities must be taxed by different methods, expenditure should be based on the general interest. The European community have pointed out the limitations which apply to any arbitrary division of revenue and expenditure, and their representatives before the Joint Select Committee\* deprecated "any economic measure which tends to promote the disintegration of the community, believing that the material interests of the constituent elements are complementary and that every attempt to separate them into watertight compartments would be against the best interest of all of them."

#### Necessity for different standards of service.

45. Contrasts between racial standards of life have made the measure of equality of sacrifice in taxation even more difficult of practical application than in Europe. It is impossible satisfactorily to compare the burdens of taxation where the native pays out of additional production and the European out of fixed and limited resources (see paragraph 19). An opinion as to whether existing social services accord with the needs of the population is also greatly complicated by the contrasts in conditions of life between natives and non-natives. The smaller European and Asiatic communities which provide so large a proportion of the total revenue are entitled, for instance, to special standards of education and other services which it would be quite impracticable to provide for the large native population who are only able to make such a small *per caput* contribution to the cost of their services. Though educational facilities are gradually being extended for the African population, to provide these on non-native standards would cost immeasurably beyond what could possibly be paid at present by the natives themselves or what it would be fair to ask from the non-native community.

#### Standards of life compared.

46. The European community as a whole appears to be living at no higher standard of life than would reasonably be expected in Great Britain. On the other hand I am assured by those who are familiar with Indian life, including Indians themselves, that members of that community in East Africa very generally show evidence of a greater level of prosperity and a higher standard of life than they would be enjoying in India. Natives, poor and backward as they are when judged by European standards, are certainly far better off than before the British Government, by building the Uganda Railway, opened up the country and began the process of civilization.

\* Report of Joint Select Committee on Closer Union, Appendix 25, page 176.

Having seen something of African life under African administration in an African Native State, and something also of the life of the savage where left without any European guidance in the greater islands of the Pacific, I am convinced that the great work of native betterment which has been achieved during the present century in East Africa cannot be measured merely in terms of money. Instead of living for the most part in a state of preventable disease and in constant fear of famine, slavery, and violent death, the Kenya native now enjoys liberty and security and in varying degree according to the district where he lives, is being gradually taught to improve his health and his standard of life.

#### Native contributions.

47. The hut tax was instituted in 1901 and the poll tax in 1903 but the latter was only applied generally in 1910. By 1911, apart from contributions to Customs duties, the native population was contributing no less than 37½ per cent. of the total revenue of the Protectorate (excluding railway revenue) by these forms of direct taxation. Considering the services provided in return it is evident that the natives have long paid an ample contribution towards the general revenues of the country. The relative contributions to the cost of Government services are shown by the Statistician to the Governors' Conference to have changed considerably in the last few years owing to the impoverishment of the European population and the relative growth in Native Reserves (Appendix 2, page 99). Judgment as to whether Europeans have been contributing a fair proportion of the cost of the indivisible Colonial services must largely depend on opinion as to how far these services are of equal benefit to all races, and how far they have been developed primarily for non-native benefit. In this matter there is no need to consider the case of Asians apart from Europeans. Their contributions are based on scales not greatly different and, as their civilization and needs are largely similar, they benefit equally with Europeans from amenities of little present value to the native.

#### Benefits from Colonial services.

48. On examining the general structure of these Colonial services and the proportion of cost due to the provision of such conveniences as motor roads, municipal water-supply and the general scale of Government and municipal services, comparing also the services in settled areas with those provided in neighbouring areas where European interests are less dominant, I have formed the opinion that in the development of the undivided or Colonial services in Kenya the prevailing bias has been toward the convenience of a civilization in which the native so far shares little of the direct advantages. The

word bias is here used in an entirely impersonal sense. It is not suggested that Europeans have taken any unfair advantage of their opportunity to mould Kenya services to suit an advanced civilization, but in examining the figures showing the value of services indivisible as between races and in weighing the adequacy of proportional contributions, account must in justice be taken of this consideration.

Comparing the burden of taxation throughout the world with that borne by the European population of Kenya, it is evident that the latter enjoys the amenities of civilization in return for a relatively light scale of contribution. No formula attempting to lay down exactly what would be a fair contribution from each community to general services could however be other than entirely arbitrary. The matter is altogether so involved and so unsuitable for exact judgment that I certainly do not consider that any sudden or drastic re-adjustment of taxation or of the general balance of expenditure would be called for in this connexion.

#### Natives bearing relatively greater burden.

49. Reasons have already been given for the view that the native cannot in his present circumstances fairly be expected to make heavier contributions, and if further revenue has to be raised it ought to be from the non-native. Fortunately, however, there is no reason for any such readjustment of burden or benefit on this account as need interfere with non-native standards of life.

#### Exact balance unobtainable.

50. An exact balance of contributions and benefits on a community basis acceptable from all points of view is unobtainable. Profound differences in social and economic organization and needs must be reflected by arrangements for the special but quite legitimate benefit of particular interests. Well-considered measures, for instance, to save agriculture from disaster, even though they may be directly for the benefit of a section of producers, may be fully justified in the general interest.

Bearing this consideration in mind, some of the complaints which have been directed against Europeans on the ground that their services are relatively costly when compared with those provided for natives are found to be without substance. As, however, criticism has been advanced in certain quarters on the subject of the special measures taken to assist European agriculture and of the high cost of non-native education as compared with that of native, it is well to examine briefly how far these complaints are justified.

### Agricultural subsidies.

51. It has been suggested that unfair discrimination against non-European interests has been exercised by the Government in the provision of various forms of agricultural subsidies for European farmers. I can see, however, no possible method of government in a mixed community under which expenditure of an emergency nature for the benefit of one section could be balanced by an equivalent expenditure for the benefit of the others. The so-called subsidies consisted in providing financial assistance to farmers, chiefly grain growers, who were faced during the year 1930 with the world depression of prices and unfavourable crop conditions in Kenya. The services for grading, inspection, conditioning, and port storage, had accumulated profits which were the main source of the remissions of four-fifths of the charges which should have been collected on the 1929-30 crops of maize and wheat.

Further relief to grain growers was given in 1930, in conjunction with the Railways and Harbours Administration, by refunding the whole or part of the railway rates and port charges in respect of the maize, wheat, and barley exported since 1st January, 1930. General, not individual, assistance was also given to the producers of the 1930 maize crop by means of a loan subsidy on exports. In all these cases, however, it was stipulated that the Government had the right to demand repayment of the refunds made by it in form or manner to be decided later.

### Agricultural credits.

52. As a result of the bad season and depressed conditions in farming in 1930, credit facilities were becoming very scarce. The Agricultural Advances Ordinance, 1930, was passed, making available a sum not exceeding £100,000 for advances to farmers who were in financial difficulties. This provision was made in order to enable the normal rate of agricultural development to be maintained, and to keep on the land efficient farmers whose prospects were normally good but whose financial position was, owing to these conditions, becoming precarious. It is stated in the Department of Agriculture's Annual Report for 1930 that "the timely introduction of this scheme had a steadying effect on a very panicky situation which might easily and very quickly have led to something in the nature of a disaster." Such disaster would have had a serious effect upon other communities besides the European.

The Land Bank was established under Ordinance in 1931 to supplement this emergency arrangement. Its main function is to finance long-term loans to farmers on a first mortgage of their land. The operations of the Land Bank extend to native as well as to non-native farms, but loans to the former will not be possible until a different system of land tenure for natives is instituted.

### Communal education charges.

53. It was agreed in 1927 with the Elected Members of the Legislative Council that the cost of European and Indian education, with the exception of administration charges and loan charges for the provision of schools, should be paid for out of special revenue. The necessary revenue was provided by the imposition of education poll taxes and the wines and spirits consumption tax. As will be seen from Appendix 1, Note No. 5, page 89, the account for 1931 shows a small credit balance in the case of European education but a deficit of £7,805 in the case of that provided for Indians. The distinction between the expenditure to be covered by these special contributions and that left on Colonial charge (namely, loan expenditure, central administrative charges, and cost of housing and pensions) seems to be drawn on no clear principle. I see no useful purpose in continuing this arbitrary arrangement and retaining a separate racial account which does not in practice balance. The present taxation on which the arrangement was founded should remain in force, but the non-native poll tax and education taxes might now with advantage be merged, the European continuing to pay a total of Shs.60 and the Indian Shs.50.

### Cost of European education.

54. I am not in a position to judge whether the present *per caput* cost of European education is justified even by the special circumstances of a scattered community. It is of course vital to the future interests of Kenya that nothing should interfere with the provision of European education on a scale as far as possible equal to that enjoyed by the British race and civilization elsewhere throughout the Empire. It is indeed in the interests of the Colony that the children of the settlers who must inevitably in future play an indispensable part in its development shall be adequately fitted for their task. It is disturbing to find that a very high proportion of the fees chargeable are not recovered from parents, and I consider that a standard of educational provision measured by boarding fees of £45 and tuition fees up to £6 10s. 0d. for a nine months' period represents an unduly high scale of advantage to be enjoyed at the public expense. This matter should receive careful examination in connexion with measures for economy (*see* paragraph 102).

### Lack of education facilities for Goans.

55. The arrangement that special contributions should be levied to cover European and Indian education has made no provision for the Goan community. Indian schools are unsuitable for them as they are of the Roman Catholic faith. No explanation of this anomaly has been given beyond the argument that Goans are not British subjects. This is an inconclusive reason especially as non-British

European residents are granted full privileges in European schools. Moreover, many Goans like other natives of India have grown up in the country, and considering that their community contributed in 1931 no less than £58,406 to the revenue of Kenya (see Appendix 1, Schedule 1, page 63) I consider that they have an unanswerable claim to adequate educational facilities. Being provided with no service they do not at present pay the education tax. It is a matter for examination by the Government whether they are in a position now to be put on the same level as Indians in the matter of taxation, but whatever may be decided on this point their contribution to revenue already entitles them to reasonable educational facilities.

#### **Ishaak Shariff and Darot Ismailia Communities.**

56. The Ishaak Shariff and Darot Ismailia Communities, nomad peoples of Arab extraction from British Somaliland, have for many years been paying non-native poll tax at their own request in order to be distinguished from African natives. They have received nothing in return for their extra contribution and, although, owing to their occupation as cattle dealers which compels them to pursue a wandering life, they cannot all be provided with educational facilities, they would be satisfied if arrangements were made to assist the education of such children as are left in Nairobi. The fact that their racial distinction has been recognized by the acceptance of extra taxation establishes a claim to some educational assistance.

#### **Native education.**

57. A scheme for native education was approved by the Kenya Government in 1930 to provide eventually for a minimum of requirements. While still in its infancy, this scheme has been subjected to a decrease in this year's education vote of £9,250 as compared with 1931. At the Local Native Council meetings which I attended I enquired what were the chief wants felt by the native. "More education" was invariably the first answer. That the Local Native Councils really do feel keenly as to the need of education is shown by the provision of £17,000 (see Appendix 8, page 114) which they voted in 1931 for these services from their own resources. I therefore endorse the view expressed by the Director of Education in connexion with his estimates this year:—

"The African position is worst of all. The demands for education are insistent. The need for meeting these demands was never more urgent. This service should not be allowed to suffer especially when the shortage of revenue is likely, in the main, to be a shortage of revenue derived from Europeans and not from Africans."

A further serious anomaly has developed in connexion with capital expenditure for education. Local Native Councils have since 1926 voted £33,381 for the provision of school buildings to make up for the insufficiency of Government grants, although accommodation on a very generous scale has quite properly been found entirely from central funds for the school buildings of the European and Indian communities.

I have examined the items of reduction in the education estimates for 1932 and am satisfied that they have involved decreases both in the number of natives who can be taught and the efficiency of their instruction beyond what is fair in consideration of native contributions to taxation. There is therefore a strong claim for provision to be made to enable the programme of native education to be developed according to the scale of progress in force in 1931.

#### **Local Government services.**

58. Contributions to Local Government Authorities and services of the Public Works Department in settled areas which are shown in detail in Appendix 1, Schedule 5 (Statement B) on page 83, and Note No. 7 on page 95, are doubtless of greater direct benefit to non-natives who live under civilized conditions than to natives whose present mode of life precludes any but indirect advantages from many of the principal services provided.

#### **Road finance.**

59. Examination of the system of road finance discloses an anomaly which calls for remedy. In 1931, Local Native Councils contributed £9,509 to supplement Government grants. By this means they actually paid the capital cost of bridges which would otherwise have had to be borne by Colonial funds. In European (District Council) rural areas no such contributions are made either from local rating or otherwise. District Councils have now entered their fifth year of life and there is no evidence that they intend to raise any local contribution by means of levying rates, as was expected when they were founded, while the present system relieves them from such necessity. Although, owing to the different class of traffic carried, it is not necessary for roads primarily serving native areas to be of such expensive construction as in settled areas, they fulfil just as necessary a function in the life of the Native Reserves in giving access to markets and offering facilities for communication, and should in equity be afforded a larger share of assistance from central funds.

#### **Basic road-grants.**

60. Under an Ordinance passed in 1928 each District Council receives automatically from central funds each year a statutory basic road-grant equal to the sum spent by the Government on the

maintenance and improvement of the District roads within its area in 1927, plus 25 per cent. for indirect charges and overhead charges connected therewith, or such larger amount as the Governor-in-Council shall deem necessary for the purpose of enabling the Council to employ the necessary staff to maintain the necessary plant and equipment and generally to carry out its duties and obligations as a local governing body in respect of roads. Under the heading of "overhead charges" come such different items as the salary of the engineer and the cost of his travelling; election expenses and travelling expenses of councillors, depreciation of plant, rent of office, office furniture and equipment, and emoluments of an accountant and clerk. The Councils also deal in an advisory capacity with a wide range of subjects unconnected with roads.

The basic road-grant has been increased in recent years for various reasons by way of "additional grants", for which, however, no provision has been made in the estimates for 1932 owing to the financial situation. For similar reasons of economy, expenditure on roads of all classes has had to be reduced this year to the level of 1927, but the basic road-grants to District Councils, plus 25 per cent. for indirect charges and overhead charges cannot be altered without amending legislation. Negotiations are now taking place on this subject with District Councils with a view to an agreed reduction of 7 per cent. in these payments for the current year.

Local Government finance is not working in accordance with the principles upon which the enabling legislation was founded. It appears from the Feetham Report\* and from Section 104 of the Local Government (District Councils) Ordinance of 1928, that it was originally intended that basic road-grants with their percentage surcharge should be devoted entirely to expenditure in respect of road work. Owing, however, to the failure of District Councils to rate their Districts for general purposes, as provided in Part VI of the Ordinance, these grants are now subject to miscellaneous charges, including those mentioned above not directly connected with road upkeep.

The Economy Committee (see paragraph 102) should examine the present system of financing Local Government in Kenya, bearing in mind the fact, now generally admitted elsewhere, that local authorities are apt to be inefficient and wasteful administrators of funds to which they do not themselves directly contribute. Comparison should also be made between the cost of administration through District Councils and through the District Road Boards and Committees which they replaced, in order to consider how far reversion to the former system might be justified on grounds of efficiency and economy.

\* Report of the Government Commission, Vol. II, page 96, paragraph 2.

### Medical Services.

61. The expenditure on Medical Services was reduced from £236,934 in 1930 to £222,897 in 1931, and a further cut has been made in the expenditure for 1932. The savings have been effected by a reduction of the establishment of Medical Officers from 75 to 58 and the following retrenchment of services:—

(a) Total abolition of the School Inspection Service, with disbandment of one Medical Officer, two Health Sisters, and clerical staff.

(b) Abolition of the special Railway Medical Service, involving one Medical Officer and three Sub-Assistant Surgeons.

(c) Closure of medical service in respect of farm labourers in the Trans-Nzoia District, involving one Medical Officer and native staff.

(d) Medical services in the Native Reserves:—

(i) Masai Reserve, population 50,402, withdrawal of the only Medical Officer.

(ii) Central Kavirondo, reduction of Medical Officers by one, leaving one Medical Officer for a population of 343,205.

(iii) Lamu District, withdrawal of Medical Officer, leaving a Sub-Assistant Surgeon in charge of a District with a population of 29,882.

(iv) Postponement of special Officer for malarial research.

(e) Reduction of Medical Officers at Native Hospital, Mombasa, by one.

(f) Reduction of Medical Officers in Nairobi by two, duties partially taken over by the appointment of a part-time private practitioner.

(g) Withdrawal of Medical Officer of Health at Nakuru

The provision for health propaganda, of primary importance in the prevention of diseases among natives, has been progressively reduced from £3,150 in 1929 to £60 in 1932.

It will be noticed that with the exception of (f) and (g) above, the list is almost entirely at the expense of native services. The classification included in Note 6 to Appendix I (page 91) shows how insufficient was the establishment provided to cope with the medical needs of the Reserves even before these cuts took effect. I consider that expenditure for direct native medical services has been unduly reduced and that there is a strong case for securing more adequate provision.

### Importance of native agricultural development.

62. The Agricultural Department is by far the most important service for improving native prosperity and social conditions as these, in view of the non-existence of any other native industry producing

exportable commodities, must directly depend on the wealth the native can win from the soil. Indirectly, the Agricultural Officers can achieve much by their teaching to improve the health and efficiency of the population. The economic future of the Colony must increasingly depend on the efficiency of native agricultural producers, whether in the Reserves or employed by Europeans. Immediate return for the effort devoted to improvement of native efficiency will be reaped by the collector of revenue, by employers of labour and, so far as it depends on the spending-power of the native, by the general trade of the Colony.

A marked increase in native production, and consequently in native exchange resources or cash, has been made necessary by the recent improvement of the standard of native life, by the development of new wants in diet and in the amenities of life, and not least by the demands of the tax collector. Intensified production and the necessity to "sell off the farm" are creating a new and urgent problem in the depletion of soil fertility. When his needs were fewer the native could supply them by a smaller agricultural return. He therefore cultivated a smaller amount of land which allowed the replenishment of soil fertility and compensation for erosion by frequent fallowing and change of ground under cultivation. In many areas, with increasing needs of production, the native has no longer enough land to follow the old method of cultivating for four years and fallowing for a corresponding period. European methods and crops if unwisely applied may intensify the mischief.

Special problems have therefore arisen in the Reserves. The native needs to be shown how to get a fair balance between the crops which he turns into cash, either by export from the Reserves or from the Colony, and the new crops which he should grow for his own consumption in the interests of his health.

I am convinced that not enough attention is being paid at present to native development. The benefit derived from the Agricultural Department by the native community cannot be measured merely by comparing the figure of £39,018, which is shown as having been spent last year on non-native direct services, with that of £38,389, spent for the direct benefit of the natives. The expenditure of the remaining £88,482 shown as indivisible as between communities, has largely been devoted to work of greater interest to the European settler than to the native, although the native, doubtless, gets an indirect benefit by the prosperity of non-native agriculture and the additional employment which is thus afforded. A further inequality is shown in the fact that Local Native Councils provided £8,497 in 1931 for agricultural and veterinary services, although the whole expenditure on the corresponding non-native services was made from central funds.

### Veterinary research at Kabete.

63. Invaluable research work in the general interests of the Colony has been carried out at the Veterinary Research Institute at Kabete. Probably more than half the effort of this Institute has lately been devoted to the three cattle diseases, rinderpest, pleuro-pneumonia, and East Coast fever. In the case of rinderpest, a new treatment has recently been discovered at Kabete depending on a vaccine produced from the spleens of animals which have had the disease. The Masai are now providing, for every hundred of their cattle to be immunized, seven cattle to be sacrificed to the disease so that vaccine can be produced from their spleens. This new method is now being provided for them as a free service, apart from the cost of the cattle which they supply for vaccine production. In the case of pleuro-pneumonia and East Coast fever, there is less prospect of successful control, but the department has recently worked out a scheme which permits the free movement of cattle from an infected area if they bear suitable brands denoting that they have been inoculated or vaccinated against rinderpest and pleuro-pneumonia or that they have been through a six weeks' test for immunity to East Coast fever. Even with this provision for moving immunized cattle, the loss suffered in Native Reserves from quarantine regulations is very serious, and the possibility of relaxation should be carefully watched by the Native Betterment Committee in consultation with the Agricultural Department.

### Coffee services.

64. Other agricultural research has been devoted to European rather than to native problems. In addition to £5,000 a year spent in assisting the coffee industry to control disease, about £8,000 a year is being spent on coffee research. This figure is large in proportion to the total vote for the Scott Agricultural Laboratories of £11,354.

### Agricultural research for Native Reserves and Coast Province.

65. A due share of applied research should be afforded to the peculiar problems of native agriculture. I recommend that three research stations should be established, two in suitable Native Reserves and one on the coast, to deal with the problems of those areas. Work should be directed to the maintenance and improvement of soil fertility, to the trials of varieties of crops, the testing of traditional native methods of crop culture as compared with modern practice, and the introduction of improved crop rotations, plant breeding, and selection for native crops. I recommend that application be made to the Colonial Development Fund for capital grants to cover the cost of these stations which would amount in all to about £10,000. The recurrent expenditure of about £1,200 per annum

on each station should be found from the central funds of the Department of Agriculture as a set-off for the applied research which is now being devoted to problems affecting the European coffee industry.

#### **Agricultural training schools.**

66. Great advantage would be gained by attaching to each of the proposed research centres a training school for courses of instruction in agriculture. If such schools be attached to research stations as proposed for the Native Reserves, their cost and upkeep might fairly be charged to the Native Betterment Fund (see paragraph 70). It is doubtful whether the Native Betterment Fund could in the near future also bear the cost of such a school in the Coast Province. In view of the fact that the Coast Research Station would be dealing with problems affecting Arabs, Europeans, and Indians equally with natives, the establishment of the school could be left over for future consideration.

#### **Improvement of sheep and goats.**

67. In addition to the research for the benefit of native agriculture already outlined, further attention should be given to the question of introducing rams of good wool-bearing breeds in order to grade up the present native sheep which are useless for anything but mutton. Efforts should also be devoted to improving the milking capacity of goats so that the native population may have the necessary milk-supply in the villages. This is becoming the more necessary since native cattle have so often to be driven to distant pastures owing to the larger area being brought under cultivation.

To enable the Native Betterment Fund to be in a position to finance an increasing programme it will be necessary that resources should be provided at least sufficient to reinstate the agricultural and veterinary services up to the level for which provision was made in the estimates for 1931.

### **IX.—NATIVE BETTERMENT.**

#### **Native taxable capacity.**

68. Even if direct native taxation be transformed in the way that I have suggested with the object of making it more adaptable to taxable capacity, it will, if maintained at its present level, represent a heavier individual sacrifice than that at present imposed upon the non-native population.

For reasons which have already been given (paragraph 17) it is difficult to get an exact measure of native resources and I have refrained from accepting any of the average figures of native production and cash earnings which have from time to time been put

forward because since no statistical information is in existence they depend upon guesswork. Even, however, if they were arithmetically correct, they would be uncertain ground upon which to base conclusions as to individual taxable capacity under a system which so largely depends upon a flat rate. There is great variation in individual wealth measured in terms of livestock even among primitive native communities.

Native taxable capacity must therefore be largely a matter of opinion, but, taking into account the conditions under which the native lives and the fact that taxes absorb so large a proportion of his available cash resources, I have no doubt that, however the burden may be redistributed between one District and another, it would not, under present conditions, be fair to budget deliberately for any increase in the total. As development takes place, however, the yield of native taxation will show a natural increase, and it is just that a certain fixed proportion of the present yield of tax together with a share of any future increments should be devoted to services for native betterment.

#### **Need for ensuring minimum native services.**

69. The main justification for asking the native to submit to a heavier sacrifice in taxation than the non-native may be found in the difference between their respective levels of civilization and the varying needs of the two communities for State expenditure on social services and development. Whereas the non-native is capable of paying for a large part of the cost of his children's education, this service must be available for the native entirely from public provision. In the same way the European population arrange and pay for their own medical treatment, but the native is quite unable to provide this service for himself and depends entirely upon the public medical arrangements. Attention has already been drawn to the large decreases in the education and medical votes for direct native services (see paragraphs 57 and 61). If, because of his helplessness, the native is to be taxed to provide exclusive services for the improvement of his condition, it is necessary to secure that the extra burden that he bears for this purpose be not deflected. The problem is to find some form of guarantee that the vital services of native development which are the main justification for his heavy contribution made by the native to public taxation from his slender means shall not be subject to recurrent cuts.

70. I have given much thought to the recommendation of the Joint Select Committee\* that "the Chief Native Commissioner should be charged with the preparation of an Annual Estimate of the Financial requirements of his Administration and should have allocated to it such funds as the Governor thinks desirable and

\* Report of Joint Select Committee on Closer Union, paragraph 87.

necessary." I assume that the Select Committee intended that this outline of policy should be interpreted into a workable and effective guarantee for assuring to African natives a fair share of Colonial expenditure.

#### **Proposal for Native Betterment Fund.**

Bearing in mind the exceptional constitutional arrangements which have grown up in Kenya I do not consider it practicable for the Governor year by year to abstract from the Colonial Revenue and from the control of the Select Committee on Estimates a varying sum for the Chief Native Commissioner's administration, and I therefore recommend the alternative method of making a statutory body responsible, under the Governor as Chairman, for one half of the proceeds of direct native taxation. I therefore propose that a Native Betterment Fund be created out of which the direct services of native development should be financed.

#### **Native Betterment Committee.**

71. This Fund should be controlled by the Governor, as Chairman, advised by a Committee to include the Chief Native Commissioner and representatives of native interests on the Legislative Council. The Governor should have power to nominate other officials. An unofficial elected member should also be added in view of the advantage of associating settler interests with the special responsibility of the Governor as trustee for the Crown in the development of native races. As the justification for such a fund is to be found in the high level of native taxation in proportion to native wealth and their claim to special direct services, its administration should not come under review by the Select Committee on Estimates. That body is predominantly representative of the non-native interests and is not therefore in a position to deal with the special needs of the native areas.

#### **Powers and responsibility of Committee.**

72. The Committee should be empowered to build up balances from year to year in order to provide against fluctuations in the yield of native taxation and to be in a position to pursue a consistent policy. By this means it should be possible to finance a widening programme of native development as resources increase in the future. It would be the duty of the Native Betterment Committee to co-ordinate the efforts which are being made by the various departments to assist in native betterment. The problem of the improvement of native conditions is beset with many complex difficulties. The objective may often have to be approached not by a frontal attack on the part of the department directly concerned, but by a combination of effort on the part of several departments

together. Although the provision in the estimates of 1931 has been taken as a convenient measure for the minimum needs of the services of direct native benefit these services should in future be considered as a whole and there should be full discretion to allot resources available from the Betterment Fund by whatever system and in whatever proportions are found to be of the greatest benefit for natives.

#### **Necessity for co-ordination illustrated by needs of Tanaland.**

73. An illustration may here be given of the necessity for co-ordinated effort such as might with advantage be arranged by the Committee. There is urgent need in the Tana River area for improvement of the health of natives who are now almost universally suffering from preventable diseases. It may possibly be best that the doctor himself should not lead the way alone. To get rid of bilharzia and malaria the land should perhaps first be drained and improved in condition by the advice of agricultural officers, who can also build up resistance to disease by teaching the native to grow crops which will afford him a balanced diet. The school-teacher and the sanitary officer should reinforce the effort by teaching the people the simple rules of health which, though accepted as a matter of course in a civilized community, are still entirely unknown to primitive people. Before the hookworm can be eliminated native superstitions must be broken down to enable the introduction of elementary rules of sanitation in the locations and to secure the protection of the water-supply from infective pollution. The actual healer should probably come last as it is of little use to cure diseases if ignorance and lack of sanitation are continually causing re-infection. The Native Betterment Committee would act as general staff in the war against native disease and ignorance, and it would be their duty to secure a wise allotment of tasks between the various forces engaged.

#### **Relation between Betterment Fund and Local Native Councils.**

74. Having been instructed\* to examine "the degree and manner in which financial responsibility should be conferred on Local Native Councils" I have considered various different methods of giving them control over the spending of a definite proportion of the yield of native direct taxation, whether derived from the present system of hut and poll tax, or from any such amended system as I have recommended in paragraphs 21 to 24. My discussions with Local Native Councils have convinced me that there is a very general demand that some considerable proportion of the heavy direct taxation now paid by the native should come back in the form of

\* Terms of Reference, 1 (d).



direct and tangible services. To satisfy this wish there is no need for these services to be strictly limited to those spent in the Reserves, provided that they are devoted to direct native benefit throughout the Colony under the control of an impartial body such as that suggested in paragraph 71.

**Advantages of grant-in-aid system.**

75. For reasons with which I shall deal when discussing the future development of Local Native Councils, I am convinced that it would not be desirable merely to give back to each area a proportion of the taxes there raised. Provision should be made by a system of grants-in-aid for the pooling of resources and for the benefits to be allotted according to needs. By this expedient the Native Betterment Fund should serve to some extent as a device for equalization of expenditure between the richer and the poorer native districts. The proposed grant could not at present be administered entirely through the Local Native Councils, but the Native Betterment Committee should aim at the gradual development of a system of grants-in-aid, and seek to associate Local Native Councils in increasing measure with the administration of the betterment services.

**Revenue of Native Betterment Fund.**

76. I recommend that statutory provision should be made for the payment into the Native Betterment Fund of half the average annual yield of native direct taxation for the previous six years for which final figures are available, this fund to be expended primarily upon the development of the four major services of direct benefit to the natives, namely, education, medical, agriculture, and Native Reserve roads and bridges. It is necessary to base this 50 per cent. grant on a six years' average because revenue from the hut and poll tax varies considerably from year to year according to the yield of native crops.

In establishing this Fund provision would have to be made for safeguarding the claims of holders of Kenya Government stock secured on the general revenue of the Colony in the event of other resources proving at any time insufficient to meet the service of this debt.

A comparison between the yield of direct native taxation in 1931, and the average for the six years 1926 to 1931 will show the necessity for taking an average of years as the financial basis for the Native Betterment Fund. In 1931, native direct taxation yielded the exceptionally low figure of £530,877, whereas the average for the six years mentioned is £559,196. If a percentage were to be taken of the year 1931 alone, it would of course have to be fixed higher than 50 per cent. to cover the actual cost of £270,954 for the major

direct native services in that year; but it is evident that a consistent grant-in-aid system could not be founded on a fund subject to such heavy fluctuations as occur from year to year in the yield of native direct taxation. Fifty per cent. of the above-mentioned average figure is £279,598, and I would justify this percentage as a fair basis for the proposed Fund on the following grounds.

**Insufficient provision in 1931 for backward areas.**

77. The expenditure on the four major direct native services in 1931 was in my opinion insufficient for providing reasonably adequate services. Great reductions had already been made in the medical service as compared with 1930. Many areas were seriously neglected. There was, for instance, no provision whatever for any medical, educational, or other services for the Pokomo Tribe, who live along the Tana River, in return for their contribution to the Colonial revenue. The Commissioner for Turkana, a very poor Province, inhabited by nomad tribes except for the single and equally poor cultivated area of Suk, sent me figures showing that whereas £7,578 is raised in direct native taxation only £710 comes back in services of direct native benefit. Although the figures may not be prepared on exactly the method adopted throughout this Report, I am satisfied that it is not fair to give back to such poor districts so small a proportion of the taxation which they raise. Under the appropriate headings I have already discussed the very serious effects of the heavy cuts included in the estimates for 1932 from the provisions made in 1930 and 1931 for the more important services of direct native benefit. I consider, however, that it is a reasonable compromise to take the expenditure of the year 1931 as being the standard of a fair minimum contribution for the major services to be provided out of the proposed Native Betterment Fund.

**Inequalities of treatment between native and settled areas.**

78. To re-instate the provision for the major services merely at the level of 1931 would however afford no set-off for the practice which has recently developed whereby Local Native Councils have begun to make large contributions for services owing to insufficiency of Government grants, although such grants are given to defray the whole cost of analogous services in settled areas (see paragraphs 57, 59 and 62).

It is difficult to assess a fair set-off for these anomalies, especially as the basic road-grants may in future be reduced by amending legislation and District Councils may also decide to levy rates (see paragraphs 59 and 60). The inequality of treatment between natives and non-natives with regard to agricultural services is also not altogether suitable for redress by means of an extra grant to native

areas. It should preferably be dealt with by requiring the Agricultural Department to give to native problems a larger share of their attention, particularly in the matter of research as recommended in paragraphs 62 and 65.

#### A fair settlement.

79. The 50 per cent. average figure of £279,598 for next year would give a margin of £8,644 over the annual 1931 expenditure. Having regard to the present serious financial difficulties of the Colony, this may be accepted as a reasonable settlement under existing conditions, and such arrangement will give some scope for expansion of services under the control of the Native Betterment Fund.

I suggest that the allocation of the amount to be found out of the Fund for expenditure on these four direct native services shall be arrived at in the same manner as has been adopted for the classification of expenditure on the same services shown in Appendix 1, Schedule 9, page 85. Appendix 7, page 113, gives a fuller definition of services to be borne by the Fund.

#### Loan money for native betterment.

80. Although the grant of 50 per cent. of the yield of direct native taxation should cover ordinary expenditure on the betterment services, cases may arise in future where provision of loan money from the Colonial Development Fund or other sources may be justified. The establishment of the Native Betterment Fund should not debar the services covered from such further assistance on suitable objects.

#### Administrative separation of communities not recommended.

81. I would emphasize that the proposal for a Native Betterment Fund is not one for the administrative separation of the non-native and native communities as to the advisability of which at some future date the Joint Select Committee kept an open mind\*, although they "felt unable to recommend the adoption at the present time of any scheme in preference to the existing system of government, on unitary lines, for the Colony as a whole." Administrative separation of the communities would, in existing circumstances, be open to great objections on financial and political grounds. An apportionment of revenue and expenditure as between the communities is impossible to obtain arithmetically with any degree of accuracy under the existing fiscal and administrative systems, and the cost of duplicating headquarters staffs and overhead charges could not be justified. More serious even than the financial difficulty is the

\* Report of Joint Select Committee on Closer Union, paragraph 86.

political one. The effect of setting up a separate and independent administration for native areas would be to promote that disintegration of the co-operative state that it is a main purpose of the "Dual Policy" to prevent.

The expedient of a Native Betterment Fund is admittedly inconsistent in theory with the unitary system of Colonial government, but I am convinced of the urgent need of a temporary guarantee that the more backward community shall get a fair share from central funds during the present period of unequal racial needs and political representation.

If, in future, the civilization of the native and non-native communities becomes more closely assimilated, or if, before that time, native wealth and the yield of their taxation so increase as to make this admittedly arbitrary apportionment no longer appropriate, the matter should be reconsidered.

#### Native Marketing Advisory Council.

82. The increase and improvement of marketing facilities for native produce and the introduction and co-ordination of improved commercial methods in the native areas will be suitable objects for assistance by the Native Betterment Fund.

With the object of assuring to growers a more ready sale and a larger share of the proceeds, a Native Marketing Advisory Council should be set up by the Governor consisting of the Chief Native Commissioner, two or three members of the Native Administration, and two or three experienced members of the business community. Some questions that might usefully be considered by this advisory body would be co-operative production and marketing, bulking and grading, establishment of marketing centres where large-scale buyers might be induced to handle native produce, licensing of traders, and the prohibition or restriction of the system of barter which is practised in some of the small Asiatic stores is alleged to operate generally to the disadvantage of the native producer.

### X.—FINANCIAL RESPONSIBILITY OF LOCAL NATIVE COUNCILS.\*

#### Organization of Local Native Councils.

83. The Local Native Councils in Kenya are a deliberate creation under an Ordinance passed in 1924, whereas in Uganda and in some parts of Tanganyika they have been built up on a previously existing system of tribal administration.

It has sometimes been suggested that Kenya has been at a disadvantage in this matter as compared with neighbouring territories owing to the fact that there were no paramount native chiefs and

\* Terms of Reference, 1 (d).

that the traditional system of tribal government was very rudimentary and variable. As a result, however, of the necessity for improvising these local government bodies from the start, the Kenya system has been framed to suit the functions to be performed and it has generally been found convenient to take the tribe, or part of a tribe, as the unit of administration.

It has not been found possible to include in this system the nomad and scattered tribes which inhabit the Northern Frontier and Turkana Provinces outside the Suk area. The Lamu and Kipini Districts of the Coast Province are also excluded. Altogether in Kenya there are now twenty-three Local Native Councils and they represent convenient units for local administration and rating, as they each cover a definite local community with common interest in the tasks of local government and sharing equally in any communal benefits which may be provided out of funds raised locally.

#### Comparison with Tanganyika and Uganda.

84. In the neighbouring territories the systems are much more complicated. In Tanganyika, for instance, there are 143 Councils, and the fact that these bodies are being gradually combined in larger units appears to show that their original distribution was not found to be ideal and is being gradually modified in accordance with the needs of administration.

In those districts of Uganda where the highest native civilization had been attained the traditional system was continued in the form of two or three different grades of councils according to the size of the tribal unit. Several villages are grouped together in the lowest grade and send representatives to the county organization ("Saza"). In the case of the largest tribes these county units may again be combined in the tribal assembly. There is no reason for such an elaborate system in Kenya, and the existing organization is well adapted to the needs of the Colony.

The Provinces of Kenya were established as convenient areas for administration but do not generally represent any tribal unit of deliberate tribal grouping.

#### No need in Kenya for Provincial Councils.

85. As communications improve it is uncertain whether the present grouping will necessarily remain permanent. Occasional meetings of tribal representatives at provincial headquarters may be of value for discussing application of native policy but there are no administrative functions which could with advantage be taken away from the smaller tribal units and be entrusted to a larger group. The only suggestion for a wider grouping which was brought to my notice was in Kavirondo and that was based not on any desire to break down barriers between different

tribes but, on the contrary, on an aspiration for tribal re-union of the Bantu and Nilotic (Luo) tribes who are now split into four different Local Native Council areas by the Kavirondo Gulf which cuts right across the tribal boundaries. This difficulty could not be met by setting up a Provincial Assembly as the whole area of 7,122 square miles with a population of about a million would be too unwieldy for purposes of unified local administration. If communications so improve in future as to overcome the present difficulty it would seem better to combine existing Local Native Councils so as to keep Bantu and Luo together rather than to unite them in a Provincial Assembly.

#### Constitution of Local Native Councils.

86. The constitution of the nine Local Native Councils which I visited showed considerable variation both in size and in the method of election of members. In Northern Kavirondo, the Council consisted of 64 members of whom 38 were elected and 26 were nominated. Some Councils, on the other hand, had a nominated majority. The Local Native Council of South Nyeri, for instance, consisted of 23 members, 12 of whom were nominated and 11 elected.

After it had been explained to the Councils that I had been sent out as a result of last year's Parliamentary enquiry, discussions took place as to the conditions under which these Councils work and various suggestions for lightening the system of taxation were brought forward. In some cases, where my visits coincided with a routine meeting, I also saw the Councils at work on their ordinary business.

#### Standard of education and financial aptitude.

87. In spite of the fact that in most cases only a minority could read and write, members seemed to follow the proceedings very closely and to take an intelligent interest in the business. There were, however, great contrasts between the various Districts in this respect. Whereas the educated minority in the more advanced Districts could appreciate simple accounts, there was only one councillor at another meeting who could read, and I was assured that few members could distinguish between any numbers over 80.

These conditions were in marked contrast to the Kingdom of Buganda where I saw the Lukiko at work and was much impressed by the efficient accounting system which I was shown in the Native Treasury. It will be very long before such a level of education can be reached by any District in Kenya.

It seemed quite obvious that without a District Commissioner to guide each Council as President, none of the bodies that I visited was capable of exercising any effective financial control. Currency, other than livestock, has only recently come into the lives of the natives, and financial calculations are for the most part meaningless.

On the other hand, many of the native members are very business-like in the sense that they know what they want and will take much trouble to see they get value for money, and undoubtedly they are already very useful as advisory bodies to the District Commissioners in the allocation of available funds in accordance with the wishes of the tribe.

#### Financial resources.

88. The revenue and expenditure of the various Native Councils during 1931 are shown in Appendix 8 (page 114), which also shows the credit balances carried-forward to 1932. It will be noticed that the revenues are derived from various sources. At the present time the rates voluntarily imposed vary from Sh.1 to Shs.3 per head. The total revenue amounted to £62,691 of which £39,952 was derived from rates, £14,070 from land revenues and £8,669 from other sources.

I do not recommend any immediate change in the constitution or responsibilities of Local Native Councils. They should be allowed to develop on their present lines and be brought into closer touch with the work of the District Commissioners as their capacities increase. Local finance should be supplemented by grants-in-aid.

#### Basis for financial assistance.

89. Such financial assistance should take the form of grants for special capital purposes and annual grants in aid of recurrent expenditure and should be payable either out of loan funds, general revenue, or, in suitable cases, from the Native Betterment Fund proposed in paragraph 70. The alternative system of a definite rebate to Local Native Councils of some fixed proportion of the taxes collected in their Districts would be too rigid for the present conditions in Kenya in view of the great contrast in the stage of development reached between areas, such as Kikuyu, which are generously provided with services, and Tanaland, where hardly any services have yet been created.

The following passage from Lord Lugard's Memorandum on Taxation issued to political officers in Nigeria in 1917 is equally applicable to conditions in Kenya:—"Distant Provinces . . . must not feel aggrieved if the annual direct expenditure upon them . . . is not the equivalent of the tax they pay to Government. The stem and main branches of a tree must receive the bulk of the sap and be developed before its outlying limbs. . . . Later the bulk of the expenditure may in return be devoted to the development of the outlying Provinces." Thus the Native Betterment Committee should give special consideration to those areas which have been hitherto the most neglected, and they should design their grants to bring all areas up to a general level of development.

#### Communal labour on roads.

90. In connexion with road upkeep it was brought to my notice that the Local Native Councils of Kyambu and Meru had recently passed resolutions expressing their wish to be allowed to repair their local roads by the traditional method of communal labour in preference to paying a gang of workers for this purpose (see Appendix 9, page 116). Criticisms of the old-established system seem often to be made without due consideration of the conditions in the Native Reserves, where road repairs often involve merely filling up a gap which has been made by storm water and can be carried out very quickly when the inhabitants of a whole village turn out and work together.

Cash for payment of wages is moreover often very short and the ratepayers may naturally prefer to do the work themselves instead of having to pay others to carry it out. There is nothing in the International Convention concerning Forced and Compulsory Labour to interfere with such communal work provided that the services are of a kind which can "be considered as normal civic obligations incumbent upon the members of the community provided that the members of the community or their direct representatives shall have the right to be consulted in regard to the need for such services."\*

It is difficult to justify the uprooting of harmless Native customs merely to satisfy European theories and I recommend that in cases where Local Native Councils express a wish to make use of communal labour for communal service under proper safeguards their right of self-determination in this matter should not be taken away.

#### Transfer of responsibility for certain services.

91. Responsibility for local education should gradually be transferred to Local Native Councils, powers of inspection and ultimate control with the right to withhold grants in case of unsatisfactory services being reserved to the Director of Education. The teaching staff should remain officers of the Department of Education. Grants-in-aid for elementary education might be made to Missions in areas where they can offer efficient service. Educational institutions of Colonial importance would continue to be financed from central funds, whether out of loan money or from the Native Betterment Fund.

The same principle might also be progressively applied first to sanitary and then to medical services but doctors and nurses should always remain members of the Colonial Service. The cost of headquarters staff and such central institutions as the Medical Research Laboratory would naturally remain as charges on central funds.

In the same way the responsibility for local agricultural services should eventually devolve upon local government bodies but here again the control of policy must remain vested in the Director of Agriculture and officers should continue to be members of his staff.

\* Article 2 (E).

On the other hand, many of the native members are very business-like in the sense that they know what they want and will take much trouble to see they get value for money, and undoubtedly they are already very useful as advisory bodies to the District Commissioners in the allocation of available funds in accordance with the wishes of the tribe.

#### Financial resources.

88. The revenue and expenditure of the various Native Councils during 1931 are shown in Appendix 8 (page 114), which also shows the credit balances carried forward to 1932. It will be noticed that the revenues are derived from various sources. At the present time the rates voluntarily imposed vary from Sh.1 to Shs.3 per head. The total revenue amounted to £62,691 of which £39,952 was derived from rates, £14,070 from land revenues and £8,669 from other sources.

I do not recommend any immediate change in the constitution or responsibilities of Local Native Councils. They should be allowed to develop on their present lines and be brought into closer touch with the work of the District Commissioners as their capacities increase. Local finance should be supplemented by grants-in-aid.

#### Basis for financial assistance.

89. Such financial assistance should take the form of grants for special capital purposes and annual grants in aid of recurrent expenditure and should be payable either out of loan funds, general revenue, or, in suitable cases, from the Native Betterment Fund proposed in paragraph 70. The alternative system of a definite rebate to Local Native Councils of some fixed proportion of the taxes collected in their Districts would be too rigid for the present conditions in Kenya in view of the great contrast in the stage of development reached between areas, such as Kikuyu, which are generously provided with services, and Tanaland, where hardly any services have yet been created.

The following passage from Lord Lugard's Memorandum on Taxation issued to political officers in Nigeria in 1917 is equally applicable to conditions in Kenya:—"Distant Provinces . . . must not feel aggrieved if the annual direct expenditure upon them . . . is not the equivalent of the tax they pay to Government. The stem and main branches of a tree must receive the bulk of the sap and be developed before its outlying limbs. . . . Later the bulk of the expenditure may in return be devoted to the development of the outlying Provinces." Thus the Native Betterment Committee should give special consideration to those areas which have been hitherto the most neglected, and they should design their grants to bring all areas up to a general level of development.

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90. In connexion with road upkeep it was brought to my notice that the Local Native Councils of Kyambu and Meru had recently passed resolutions expressing their wish to be allowed to repair their local roads by the traditional method of communal labour in preference to paying a gang of workers for this purpose (see Appendix 9, page 116). Criticisms of the old-established system seem often to be made without due consideration of the conditions in the Native Reserves, where road repairs often involve merely filling up a gap which has been made by storm water and can be carried out very quickly when the inhabitants of a whole village turn out and work together.

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\* Article 2 (E).

## XI.—REVIEW OF GENERAL BUDGETARY POSITION.

### Supplementary Terms of Reference.

92. Supplementary instructions issued on 7th April, 1932, direct me to review the general budgetary position of the Colony, and it is indeed necessary that I should discuss this subject in view of the considerable re-adjustment of expenditure which I have recommended in connexion with direct native services. These re-adjustments amount to about £30,000, mainly in connexion with re-establishing the major native services to 1930-31 levels. Additional provision for the education of Goans and the Ishaak Shariff and Darot Ismailia communities, and for applied research on agricultural problems in Native Reserves and the Coast Province is also recommended. To appreciate the present budgetary situation it is necessary to make a brief examination of the financial policy which has been pursued in recent years.

### Unbalanced Budgets.

93. The Colony of Kenya has from 1929 onwards failed to balance its budgets out of current revenue and successive deficits have been met out of accumulated savings. Details of the changes in revenue and expenditure since 1926 will be found in Appendix 10, Tables 1 and 2, pages 117 and 118.

The following table summarizes the gross figures of revenue and expenditure and also surplus balances for the years 1926 to 1931.

Year.	Gross Revenue.	Gross Expenditure.	Surplus or Deficit on year.	Surplus at end of year.
	£	£	£	£
1925 ..	—	—	—	149,723
1926 ..	2,627,223	2,414,681	+ 212,542	362,265
1927 ..	2,846,110	2,515,115	+ 330,995	693,260
1928 ..	3,020,694	2,834,647	+ 186,047	879,307
1929 ..	3,333,742	3,505,072	- 171,330	707,977
1930 ..	3,241,900	3,438,875	- 197,275	510,702
1931 ..	3,066,930	3,216,089	- 149,159	361,543

It will be seen from this table that the Colony's financial position at the close of the year 1928 was a strong one. There had been a surplus on each year's accounts from 1924 to 1928 when the surplus balances reached the highest figure. It may be of interest to give a brief outline of the way in which these accumulations have been expended since 1928 to balance the deficits of successive years.

1929.

94. The 1929 budget provided for a surplus of £77,009. It did not, however, include provision for the amount voted in December, 1928, against surplus balances, a large part of which formed a charge against the 1929 accounts.

Abnormal expenditure during 1929 was incurred as follows:—

Expenditure specially voted against Surplus	£72,914
Balances .. .. .	55,272
Locust Campaign .. .. .	59,238
Famine Relief (net) .. .. .	<u>£187,424</u>

At the same time revenue collections were affected by the invasion of locusts; native hut and poll tax figures were £35,589 short of the estimate, and other revenue suffered. The actual accounts for the year 1929 showed a deficit of £171,330 and the Colony's surplus balances were reduced to £707,977.

1930.

95. A deficit of £93,923 was budgeted for in 1930 after allowing for expenditure of £90,557 against surplus balances and £15,000 for famine relief. The actual amount spent during the year as a special charge against the surplus was £107,121 and the deficit of the year's accounts amounted to £197,275.

1931.

96. The 1931 estimates, as passed by Legislative Council in November, 1930, provided for a surplus of £73,051. Expenditure was £226,843 less than the original estimate but revenue fell by £449,053 as compared with the budget estimates. As from 1st July, 1931, postal letter-rates were increased to the level from which they had been reduced on 1st April, 1930. Additional Customs duties were imposed on motor tyres and accessories. £12,622 was temporarily provided from surplus balances for famine relief, some part of which, however, will be charged to expenditure in 1932. Expenditure on the locust campaign during 1931 amounted to £18,776.

The deficit on the 1931 accounts was £149,159, and the surplus balances were reduced to £361,543.

### Recoverable expenditure from surplus balance.

97. In the figures given above for expenditure from surplus balances no account is taken of the following items which, being recoverable, are shown as assets in the balance sheet:—

£100,000 appropriated for the purpose of making advances and meeting expenses under the Agricultural Advances Ordinance, 1930.

£116,000 appropriated during 1931 for the assistance of maize and wheat farmers.

Concurrently with the dissipation of balances the Colony has incurred a large increase in its Funded Debt. Appendix 10, Tables 2 and 3, pages 118 and 120, shows how this increase has been reflected in annual payments on account of debt charges.

#### Causes of financial difficulty.

98. The weakening of Kenya's financial position has, of course, been due largely to the trend of world prices. In a community where external payments must depend almost entirely on primary production, the catastrophic falls in prices for maize, sisal, and other local products have necessarily caused a great restriction of purchasing-power which has been reflected in a heavy decrease in the revenue derived from Customs duties. A serious local misfortune leading to heavy losses in the maize crop has added to the financial difficulty. The recent crop destruction by locusts began in 1928 and by the end of 1930 was estimated to have caused a loss to growers of £200,000. In 1931 an even worse visitation destroyed 40 per cent. of the maize crop. This reduced the export of maize by 1,000,000 bags and, taking into account the destruction of other crops including wheat, is estimated to represent a money loss of £400,000 up to the end of 1931. The trouble still continues, and it is impossible at this stage to assess what damage will be suffered by the crop which has now been planted. This misfortune has not only caused disastrous losses to cultivators, but it has also had serious indirect results, firstly on expenditure in connexion with special defensive measures, and secondly, by reducing purchasing-power and thus contributing to the fall in indirect revenue.

#### Efforts for economy.

99. In the early months of 1930 the necessity for economy in expenditure was realized and efforts were made to curtail expenditure without involving a reduction of services. At the beginning of 1931, however, the need for economy became urgent and as a first step towards retrieving the position a schedule of authorized reductions on the original estimates for the year amounting to £157,543 was issued in May, 1931. Strenuous efforts to retrench have again been made this year and a cut of £103,754 on the current estimates as approved for 1932 has already been secured, mainly on recurrent expenditure.

#### Savings partly non-recurrent.

100. These savings, however, are to some extent non-recurrent. For instance, an important decrease of about £20,000 is to be brought about by lengthening the period of the "tour" of Government officials and postponement of leave. The actual saving on account of passages must be far greater at the beginning of the period than when the working of the new system is fully established. The effect of this economy will therefore quickly cease to show itself in the expenditure of departments because being temporary only it cannot

be followed up by any corresponding decrease in establishments to compensate for the extra number of officials who will be available for duty at any one time in the Colony while the scheme is in operation. It is evident, therefore, that if this saving of £103,754 is to be repeated in 1933 continued efforts must be made to keep down the cost of services which will otherwise tend to work up towards their former level.

#### Need for further retrenchment.

101. There are other reasons to justify renewed efforts to retrench at the present time. If it be decided that the financial situation and prospects make further taxation unavoidable, those who will have to bear new burdens may fairly ask that these be lightened to the utmost by a further examination and application of the maximum measures of economy consistent with administrative efficiency.

An additional ground for re-examining the cost of Government establishments is to be found in a comparison between revenue and expenditure in 1926 and revenue and expenditure in 1932. General revenue (excluding land sales) amounted to £2,051,994 in 1926, £1,803,194 in 1929, £2,085,450 in 1931, and the indications are that on the present basis it will fall considerably below the 1926 figure. The expenditure on recurrent votes, excluding public debt and interest, has risen during the same period from £1,803,194 in 1926 to £2,104,769 in 1932 after readjustment of estimates in accordance with the economies in sight. During the same period the service of public debt and interest has gone up from £484,981 to £1,010,500, although much of this increase is on account of loan charges on the transportation debt which are set off by reimbursements\*. These figures point to the conclusion that the scale of public services is greater than the Colony can now afford and suggest the urgent need for its reconsideration.

#### Economy Committee.

102. It would have been outside the scope of my enquiry and it would indeed be an unsuitable task for a single Commissioner to examine the possibility of detailed retrenchment in all the activities of the Administration. At the time of writing, the Governor has stated his intention of setting up a small local Committee for this purpose. No Terms of Reference have as yet been announced but as it will be necessary to search for economies by an examination of the responsibilities, organization, and activities of the Departments of Government, and also the policies upon which they are based, it is necessary to ensure that while business and political elements are included there should also be strong representation of officials who know the Government machine from inside and can direct

\* The Colony, however, guarantees losses on certain branch lines. The amount actually paid to the Railway Administration in 1931 was £19,871.

attention to possible economies in organization. In view of the persistent efforts which have been made in recent years to achieve economies which, although not necessarily all recurrent in the literal sense, have totalled since 1930 £195,462 on ordinary recurrent expenditure, excluding public debt charges and interest, and £280,738 on extraordinary votes, I do not anticipate that it will be possible to find any very large new economies especially as about half the field of public expenditure is covered by irreducible services including public debt, pensions, and provision for the Native Betterment Fund, and scope for retrenchment is therefore definitely limited. For this reason, while seeking to ensure that expenditure is so conditioned as to give the best possible return, it must be a main part of the Committee's task to consolidate the retrenchments already in force and to counteract any automatic increases.

#### Divided financial responsibility.

103. Efforts to economize are likely to prove temporary in their results unless spending continues to be curbed by effective methods of financial control. In Kenya there is in force a system of divided financial administration under which the Treasurer is responsible for the collection of revenue while the allocation of resources to provide for the various services is controlled by the Secretariat. The preparation of the main estimates of the year is thus in the hands of the Colonial Secretary whose duty it is as chief adviser to the Governor to take a large share of responsibility for their final adoption. The Colonial Secretary is in effect also Financial Secretary as he is not only responsible for expenditure but also introduces the budget and conducts the Appropriation Bill in the Legislative Council. Actually the chief functions of the Treasurer of Kenya are those of an Accounting Officer.

This arrangement is in marked contrast to the system of Treasury control in force in Great Britain. British Government departments do not even begin to consider proposals for fresh expenditure, or to frame the policy upon which the normal estimates of the year depend, except in the closest touch with the Treasury throughout. The tendency to increase expenditure is therefore checked and controlled from the earliest stages by officials with special financial experience.

The British system is not entirely appropriate to Crown Colony conditions but there is a strong case for the application of closer financial control, with whatever modifications may be necessary to suit the constitution of Kenya. I consider that the Treasurer should be regarded as the Financial Adviser to the Government, and that his advice should be sought not only on all proposals for raising revenue, but also on all matters involving expenditure from public funds or otherwise affected by financial considerations, before decisions are

taken on such questions. He should have free access to all Secretariat files in order that he may be fully cognisant of all the considerations affecting the financial policy of the Government and be in a position to offer advice when that policy is in process of formation. The tendency to increase expenditure would thus be checked and controlled from the earliest stages by an official with special financial experience.

#### Control of Establishments.

104. Another marked contrast with the British system is to be found in the Establishments Branch being under the Colonial Secretary and not under the Treasurer. The effect of departmental establishments on Government expenditure can hardly be exaggerated. The very high proportion of total expenditure represented by the pay list of Government departments under modern conditions explains and justifies the British system under which the control of establishments is one of the five main heads under which the responsibilities of the Treasury are divided. If extravagance in personnel and services is to be avoided in Kenya I am convinced that control of the establishments in Government departments should be placed under an official responsible for the whole system of finance.

#### Colonial Regulations.

105. Whatever may have been the intentions of the Colonial Office as to the control of expenditure in the past, the Colonial Regulations issued in 1928 no longer impose any necessity for this system of divided responsibility. In the Regulations for His Majesty's Colonial Service published in 1923 it was laid down (paragraph 223) :-

"Annual Estimates of the Revenue and Expenditure of a Colony will be prepared by the Colonial Secretary and submitted to the Governor at such a date as will admit of their consideration by the Legislature."

Colonial Regulations in force since 1928, however, provide as follows (paragraph 210) :-

"Annual Estimates of the Revenue and Expenditure of a Colony will be submitted by the Colonial Secretary to the Governor, etc."

It is therefore no longer necessary for the Colonial Secretary himself to be responsible for the preparation of estimates.

The present arrangement under which financial responsibility is divided between the Treasurer and the Secretariat seems likely



to lead to lack of control, duplication, waste of energy, and unnecessary expense. In the present difficulties of the Colony it appears to be more than ever necessary that there should be one official primarily responsible for finance in all its aspects and for advising both the Executive and Legislative Councils on all financial matters.

#### Prospects for out-turn of 1932.

106. It is now necessary to consider the prospects of the budget out-turn for the year 1932, and the information which is at present available definitely points to a worsening of the position. Although a deficit on January accounts is unusual, there was a heavy fall in Customs revenue this year. The Colony's loan charges were increased in January by £50,263, being the first payment of a half-year's interest on the loan contracted in 1930, in which by far the largest item was a provision of £973,367 for public buildings. Eliminating, for the purpose of revenue comparison, Colonial Development Fund receipts in 1931 and 1932 and the additional reimbursements amounting to £51,273 from the Railways and Harbours Administration, the revenue for January shows a short-fall of £48,410 as compared with revenue for January, 1931. The preliminary figures for February and March indicate a further decrease of £28,449 making a total decline of £76,859 on the first three months of the year as compared with the corresponding period of 1931. In respect of Customs duties an increase of £62,595 on last year's revenue was shown in the 1932 budget estimates. There is already, however, a short-fall of approximately £59,000 in Customs receipts on the first three months of the year as compared not with the budget estimates but with the lower level of last year's monthly receipts. The short-fall is the more discouraging since the basic figure of Customs duties in force last year included nothing for the wines and spirits duties which had not at that time been incorporated in the general Customs revenue.

Against these decreases may be set the arrears of 1931 in native hut and poll tax amounting to approximately £30,000 which have been collected during the first three months of 1932. It is too early to judge how far the collecting of these arrears will be offset by a possible short-fall in the hut tax estimate for 1932.

#### Prospective deficit.

107. It is impossible at this stage to estimate with any confidence the deficiencies which are likely to develop as compared with the revenue estimates for the current year. I have, however, examined the latest available returns as to the yield of revenue under its various heads since the beginning of the year and compared it with the original estimates and the corresponding figures of 1931.

Appendix 10, Table 4, page 121, showing a total estimated short-fall of £281,700 is based on this information. There might well be increases of revenue under other subheads which cannot yet be foreseen, but on present information it would appear reasonable to expect a net short-fall in total revenue of about £250,000 as compared with the budget figures. Assuming the expenditure to be at the level to which it has been reduced by the recent reductions already referred to, this may lead to a deficit on the 1932 accounts of £144,682.

#### Cash position.

108. In Appendix 10, Table 5, page 122, a statement is given of the cash position which may be expected to develop by the end of 1932 in the event of a deficiency of £250,000 as forecast in the footnote to Table 4. It will be seen that a cash deficiency of £181,639 would result after making provision for the £100,000 required for day-to-day needs of the Government.

#### Prospects of recovery.

109. It is now possible to discuss the trend of various factors in the budget position and to try to assess the likelihood of recovery.

Expenditure may still further be reduced as the result of an examination by an Economy Committee. No great alleviation, however, can be hoped for in this direction because, as already pointed out, the economies achieved by that Committee will be partially offset by the decreasing advantage of certain economies of a temporary nature effected by the postponement of expenditure.

#### Yield of direct taxation.

110. There is little prospect of expansion in the yield of direct taxation owing to the fact that it does not at present vary according to capacity, but depends to a great extent on the inelastic system of native and non-native poll taxes.

#### Yield of indirect taxation.

111. Indirect taxation shows no present sign of recovery and there is strong evidence that the recent increases in the tariff and the encouragement which they have given to the development of Kenya industries must lead to diminishing returns. The protective effect that is already shown by some of the duties imposed can be gauged

to lead to lack of control, duplication, waste of energy, and unnecessary expense. In the present difficulties of the Colony it appears to be more than ever necessary that there should be one official primarily responsible for finance in all its aspects and for advising both the Executive and Legislative Councils on all financial matters.

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Expenditure may still further be reduced as the result of an examination by an Economy Committee. No great alleviation, however, can be hoped for in this direction because, as already pointed out, the economies achieved by that Committee will be partially offset by the decreasing advantage of certain economies of a temporary nature effected by the postponement of expenditure.

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111. Indirect taxation shows no present sign of recovery and there is strong evidence that the recent increases in the tariff and the encouragement which they have given to the development of Kenya industries must lead to diminishing returns. The protective effect that is already shown by some of the duties imposed can be gauged

from the following examples comparing the revenue derived from duties, the quantities and the values of selected imports in 1928 and 1931:—

	1928.			1931.		
	Customs Revenue.	Quantity.	Value.	Customs Revenue.	Quantity.	Value.
	£		£	£		£
Bacon and Ham ..	268	93 cwt.	848	74	35 cwt.	313
Ghee ..	3,092	8,986 ..	36,372	1,341	5,813 ..	14,891
Sugar ..	49,880	78,353 ..	66,406	2,377	5,377 ..	4,893
Tea ..	20,972	8,897 ..	81,913	2,799	1,341 ..	11,621
Wood and Timber	7,618	116,809 tons	17,380	3,174	71,792 tons	9,386
Aluminium						
Hollow-ware ..	5,634	166 ..	31,302	333	13 ..	2,255
Butter ..	243	147 cwt	1,624	110	*110 cwt	803
Cheese ..	629	262 ..	2,968	332	122 ..	1,228

\* Includes 87 cwt. (value £580) of Kenya butter re-imported.

It will be seen from the above that Kenya producers and manufacturers are making good use of their opportunities and although this development is of excellent promise from the point of view of internal production it cannot fail to have an increasing adverse effect upon the yield of the tariff. A consideration of the revenue derived from certain luxury duties also suggests that they are now so high as to check consumption and that more revenue might be secured by a lower rate of duty. Owing to the Customs Union this is a matter which cannot in any case be considered by Kenya alone, but when the periodic reconsideration of tariff rates takes place it will be necessary to ensure that any decreases in the rates on the luxuries consumed by non-natives are set off by corresponding concessions to the native population who, especially in the matter of duty on unbleached cotton goods, are paying a specific rate far above the *ad valorem* standard originally fixed, and who have therefore a strong claim to a lightening of the burden of taxation which they are paying on this article, the purchase of which absorbs a considerable part of their cash resources (cp. paragraph 37).

Although there is some ground for re-examining the case for lightening certain rates of import duty, it is out of the question to embark on any course which might involve loss of existing revenue until the budget has been balanced and until the yield of new taxation which may be imposed is established not merely on estimates, but upon firm experience.

### Other revenues.

112. The items of revenue which have not been shown in Appendix 10, Table 4, are not likely to make any appreciable difference in the balance.

### Debt charges.

113. The increased burden of public debt involves a very heavy charge on the taxpayer. The whole burden of sinking-fund payments will not be felt until 1935 when the full sinking-fund charges on the 1930 loan become payable. Taxpayers who examine these figures may not unreasonably enquire whether there is no hope of relieving their prospective load by means of conversion. Such a course might lighten the responsibilities of the present taxpayers by throwing the burden forward on to the shoulders of a future generation, who may be in a better position to pay for their advantages when the fruits of present expenditure on development are being gathered.

The possibility of debt conversion will no doubt be carefully watched, but it is well to point out that the problem in Kenya is very different from that in Great Britain. Whereas British conversion Loans have been issued to deal with debt close to the date of maturity, the borrowings of Kenya are not repayable for many years to come and stand to-day at a price well above par. Under such conditions, debt could only be converted with the consent of the bondholders, and it is evident that terms would naturally be required for a successful conversion which would prevent any spectacular advantage to the borrower.

### Prospects summarized.

114. To summarize the prospects, there is no present indication that the financial difficulties of Kenya will solve themselves. Next year appears likely to open with an adverse balance against cash reserves and with the expectation of a large deficit on the revenue and expenditure accounts even on present lines without taking into consideration the re-adjustments summarized in paragraph 92. The yield of taxation is dropping steadily below last year's estimates. Those subheads such as stamp duties and licences (see Appendix 10, Table 4, page 121) which give an indication of the state of commerce and industry point to stagnant or shrinking conditions of business. On the other hand, although import duties are at present falling far short of the budget estimate it must be remembered that if this year's coffee crop fulfils its present promise of yield and quality, an increase of purchasing-power will result for coffee growers and native pickers, and this may be expected to bring about some increase in the revenue from import duties as compared with the short-fall indicated by the present receipts and estimates in Appendix 10, Table 4. This possibility cannot be assessed in figures and in any case would only be of uncertain duration.

It would surely be unwise to build hopes of permanent financial recovery on so narrow a foundation. Crops vary from year to year and it would appear that in the absence of a world-wide recovery of prices budget stability can only be ensured by broadening the bases of tax revenue.

#### Need for fresh taxation.

115. During the present stringency there is a natural fear of the depressing effect of new taxation, in spite of the world-wide experience of the danger of unbalanced budgets. Taxation, however, can be devised on such principles as would protect capital resources from any interference. Attention has been drawn to the inelasticity and one-sided foundation of Kenya finances. Even in a storm it is sometimes necessary to re-stow the cargo, and in the heaviest of weather it is imperative at least to stop the leak of an unbalanced financial system. Kenya can only ensure escape from present difficulties by following the example of the rest of the world and by taking action without delay to restore her position, not only by balancing the budget out of revenue but also by replacing the exhausted cash reserves so as to avoid the need of meeting current expenditure out of borrowings. I am forced to the conclusion that fresh taxation is called for. It can be imposed in a well-tryed form which need involve no serious hardship. Increased burdens cannot with any justice be borne by the native population and, if imposed, they should be graduated according to the ability to pay.

Various alternative methods of direct taxation which have been applied in other parts of the Empire, with or without income-tax in addition, have consequently been considered.

#### Taxes on land and buildings.

116. A land tax, whether applied generally or to undeveloped land only, would be inapplicable to Kenya in view of the extreme difficulty of arriving at a fair valuation. There is very little demand for agricultural land in the settled areas under present conditions, and valuations based upon erratic market prices would be unjust. The possibility of a tax on buildings, or alternatively a tax of narrower application on inhabited houses only, has also been examined. The former tax would operate very unequally as between industries and persons, having regard to the great variations in needs for building accommodation. An inhabited-house duty based on a valuation of the dwelling occupied, although it might bear some relation to the apparent standard of life, would be extremely unequal in its incidence upon income. An overwhelming objection, however, to taxes of this type in a community where agriculture is of such great importance as in Kenya is that they would fall with heavy incidence upon that industry and upon many individuals who are making no income and from whom no tax could justly be raised.

#### Problem of income-tax in Kenya.

117. Income-tax in Kenya is apt to be judged on the very exceptional experience of 1921. When it was imposed in that year a large proportion of taxpayers failed to pay, and, instead of enforcing the law, the Government decided to repeal the tax on the recommendation of a local Economic and Finance Committee in 1922. The distortion which the half-hearted enforcement of the tax brought about in the receipts can be judged from the fact that, although the estimated yield for the nine months of 1921 was £328,413, only £95,073 was eventually collected, and doubtless owing largely to the passive resistance of a section of the population, the proportion received from employed persons worked out at 63 per cent. of the total receipts as against 1 per cent. in England.

The mixed population of Asiatics offers no special problem in Kenya. It would seem reasonable that accounts should be kept in English, or at the most in one other language, and in a particular form, and there is already an arsenal of fiscal weapons which may be borrowed, to deal with administrative details, from many Crown Dependencies where the same and other initial difficulties have been successfully overcome.

#### Light non-native direct taxation.

118. The argument is sometimes used that the imposition of an income-tax would deter prospective settlers from choosing this Colony. In view, however, of the almost universal application of this system and the high rates in force elsewhere, Kenya would still offer great advantages to intending settlers under the comparatively light scale of taxation which would be necessary if remedial action be taken in advance of a serious crisis.

The comparison of the burden of non-native taxation in Kenya with that borne by taxpayers in other countries is indeed striking. Whereas elsewhere civilized communities have had to maintain their solvency by adding still further to burdens of direct and indirect taxation which had already seemed almost intolerable, the non-native population of Kenya are in the probably unparalleled position among civilized nations of bearing no direct taxation at all beyond a male poll tax of Shs. 30, a male education tax of Shs. 20 or Shs. 30, and a comparatively light scale of death-duties. The resource of direct taxation in some degree proportionate to the means of the taxpayer is therefore at present practically untapped, and the budgetary balance could be restored by a relatively low tax on incomes.

The growing industries of Kenya are naturally anxious not to discourage fresh capital, but the British investor is much more likely to feel alarm at the present precarious budgetary situation

with-undefined possibilities of future taxation than by a reasonable rate of income-tax. Under the usual arrangement for double-income-tax relief within the Empire such tax would make no difference to the total tax payable on an income and would in effect merely be deducted by the taxpayer from the higher rate otherwise due to the British Inland Revenue.

### Necessity for balanced budget.

119. The opposition to income-tax now evident in Kenya may perhaps be based very largely on imperfect knowledge of the real financial position and prospects of the Colony. When the facts and alternatives are realized, the non-native population whose enterprise and belief in the future of their new country have hitherto contributed so much to its progress will doubtless not fail to respond to the need of enabling the Colony again to balance its budget, by accepting an equitable system of taxation in proportion to capacity. Neither her youth among peoples nor her fair inheritance among nations can save Kenya from facing hard facts and from the need to adjust her circumstances to new and harsh economic conditions.

## XII.—CONCLUSIONS AND RECOMMENDATIONS.

### Summary.

120. Recommendations are made for exemption from native hut and poll tax of widows inherited when past child-bearing age and for the granting of certificates of exemption from taxes for life for old and infirm persons in suitable cases (paragraphs 11 and 12, page 7).

Owing to the inelasticity of the present system of native hut and poll tax and differences in wealth both as between Districts and individuals, the following changes are recommended for gradual introduction:—

Native hut and poll tax to be charged at varying rates according to the taxable capacity of Districts (paragraph 21, page 13), pending gradual replacement and reorganisation under paragraphs 24 and 22, respectively;

Uniform male native poll tax at the rate of Shs. 6 to be collected by tax stamps on registration certificates (paragraph 22, page 14);

Tax on native livestock over and above certain minima necessary for maintaining life to be introduced in suitable Districts (paragraph 23, page 14);

Native cultivation tax to be substituted for hut tax (paragraph 24, page 16).

Reduction of railway rates on unbleached cotton cloth and blankets of cheap qualities is recommended (paragraph 35, page 19).

Figures are given to show racial contributions to indivisible services (paragraph 44, page 24). It is shown that natives cannot in present circumstances fairly be expected to make a heavier contribution to revenue and that any present increase in the total taxation paid by communities that may be found necessary should be borne by non-natives (paragraph 46, page 27).

The cost of non-native education is discussed and it is suggested that non-native poll and education taxes should be consolidated (paragraph 53, page 29).

The cost of European education should be examined by the proposed Economy Committee (paragraph 54). Education facilities should be provided for Goans (paragraph 55, page 29), and also for the Isbaak Sharif and Darof Ismailis Communities (paragraph 56, page 30).

The Economy Committee should examine the finance of local government with special reference to the basic road-grants (paragraph 60, page 31).

As a set-off to the large proportion of expenditure now devoted to research on non-native agricultural problems, applied research on questions affecting native agriculture should be initiated in the Reserves and in the Coast Province. Application should be made to Colonial Development Fund for the necessary building grants (paragraph 65, page 35).

Agricultural training schools should be attached to these Research centres in Native Reserves (paragraph 66, page 38).

It is proposed to set up a Native Betterment Committee to finance and co-ordinate the direct native services of education, health, agriculture, and roads, etc. (paragraph 70, page 38).

The Native Betterment Fund should be financed by the grant of 50 per cent. of six years' average yield of native hut and poll tax or any future substitute (paragraph 70, page 40).

To improve defective marketing arrangements in native areas a Native Marketing Advisory Council should be set up (paragraph 82, page 43).

Local Native Councils should be brought gradually into closer touch with District Administration which should be increasingly financed by grants-in-aid from Native Betterment Fund (paragraph 83, page 46).

Employment of communal labour should be allowed under proper safeguards at the option of Local Native Councils (paragraph 80, page 47).

Attention is drawn to the failure to balance budgets from revenue every year from 1929 onwards (paragraph 93, page 48).

The division of financial responsibility under the existing system in Kenya and the consequent lack of proper financial control are criticised (paragraphs 103-105, pages 52 and 53).

On present indications it is shown that this year's deficit on revenue account may amount to about £250,000, which would involve the complete exhaustion of accumulated surpluses and a cash deficiency of about £180,000 (paragraphs 107 and 108, pages 54 and 55).

No prospect is discovered that present financial difficulties will solve themselves, and a recommendation is made that budget stability should be ensured by broadening the bases of tax revenue (paragraph 114, page 57).

Alternative forms of direct taxation are discussed in paragraphs 116 to 118 (pages 60 and 61).

#### Acknowledgments.

121. I wish to express my appreciation of the great help afforded by Mr. H. H. Rushton, Treasurer of Kenya, and I am particularly indebted to Mr. K. S. J. Chamberlain, Assistant Treasurer, who carried out with great efficiency much detailed work in preparation of the schedules, etc. Mr. H. E. Bader, of the Secretariat, organized the collection of evidence in advance of my arrival, and during my visit contributed much to the smoothness of local arrangements.

Major A. W. Fosbroke-Hobbes accompanied me from England as Secretary for the enquiry. He showed the greatest ability and efficiency and his assistance was invaluable to me throughout my investigations and in the preparation of the Report.

I have the honour to be,

Sir,

Your obedient Servant,

MOYNE.

17th May, 1932.

APPENDIX I.  
SCHEDULE I.  
Summary of Revenue collected, in 1931, Distinguishing Taxation Revenue from Other Revenue and Classifying Contributions of the various Communities.

	Europeans.	Indians.	Goans.	Arabs.	Natives.	Indivisible.	Total.
	£	£	£	£	£	£	£
DIRECT TAXATION .. .. .	42,586	39,170	3,251	18,114	590,877	—	634,008
INDIRECT TAXATION .. .. .	334,477	145,213	47,346	16,892	199,181	2,345	745,554
OTHER TAXATION REVENUE .. .. .	109,113	45,406	4,057	6,241	11,446	1,936	178,189
OTHER REVENUE (NOT TAXATION) .. .. .	179,595	49,213	3,752	6,903	49,596	1,220,110*	1,509,169
TOTAL .. .. .	665,781	279,002	58,406	48,280	791,100	1,224,391	3,066,930

\*Includes  
Post Office .. .. .  
Reimbursements .. .. .

£  
168,132  
883,716

APPENDIX 1—(Continued).

SCHEDULE 2.

(Details of Schedule 1.)

	Europeans.	Indians.	Goans.	Arabs.	Natives.	Indistinct.	Total.
	£	£	£	£	£	£	£
<b>DIRECT TAXATION.</b>							
Native Hut and Poll Tax	—	—	—	—	530,877	—	530,877
Non-Native Poll Tax	12,411	—	3,005	—	—	—	42,571
European Education Tax	11,399	14,481	—	—	—	—	11,399
Asiatic Education Tax	18,786	2,789	246	12,859	—	—	14,481
Estate Duty	42,596	39,170	3,251	18,114	530,877	—	34,680
<i>Total</i>							684,008
<b>INDIRECT TAXATION.</b>							
Customs Duties	298,582	137,480	44,739	16,625	198,813	2,345	698,584
Patrol Tax	22,296	4,047	182	367	368	—	27,960
Wines and Spirits	11,808	3,200	2,106	—	—	—	17,114
Consumption Tax	1,791	486	319	—	—	—	2,596
Bear Excise Duty	334,477	145,213	47,346	16,992	199,181	2,345	745,554
<i>Total</i>							1,460
<b>OTHER TAXATION REVENUE.</b>							
Native Registration	—	223	—	66	1,480	—	11,605
Game Licences	11,166	—	—	—	79	—	—
Explosives, Gun and Ammunition Licences	2,114	327	71	165	182	—	2,859
<i>Total</i>							1,460
<b>LIQUOR LICENCES.</b>							
Liquor Licences	4,684	2,147	2,070	18	2,322	—	11,241
Traffic Licences	42,615	7,735	349	701	705	—	52,105
Miscellaneous Licences	1,788	1,102	66	493	518	—	3,967
Licences under Carriage of Goods—							
Motor Control Ordinance	—	1,290	—	—	—	—	1,290
Coffee Licences	1,596	44	117	2	195	—	1,902
Registration of Documents and Titles	13,698	1,068	598	432	264	1,652	49,904
Stamp Duties, various Revenue purposes	33,265	360	6	1,354	1,863	—	3,638
Patrols	55	601	601	959	423	—	21,571
Cattle Traders' Licences	5,276	14,312	48	279	157	—	3,847
Traders' Licences	1,624	1,739	48	—	—	—	1,269
Registers—Generals, Official Receiver's and Public Trustee's Fees	965	287	17	—	—	—	580
Registration of Companies and Business Names	483	48	4	—	—	—	1,401
Registration of Inventions, Designs, and Trade Marks, and Bills of Sale Fees	742	569	15	23	30	22	3,351
Conveyancing Fees on Crown Titles	296	58	—	1,216	1,841	—	—
Market and Cattle Pound Fees	—	—	—	—	—	—	—
Miscellaneous Fees (Cemetery, Marriage and Divorce; Translation and Copying; Testing Liquor; Weights and Measures; Legal Library; Fees under Ordinances for Doctors, Dentists and Druggists, Pawnbrokers, etc.)	1,216	327	29	346	1,405	9	3,332
Fees for Licences to Exhibit Films	84	77	—	—	—	253	864
<i>Total</i>	109,113	45,406	4,057	6,241	11,446	1,936	175,199

APPENDIX I—(Continued)

SCHEDULE 2.

(Details of Schedule 1)

	Europeans.	Indians.	Goans.	Arabs.	Natives.	Inadmissible.	Total.
<b>DIRECT TAXATION.</b>							
Native Hut and Poll Tax ..	12,411	—	—	—	530,877	—	530,877
Non-Native Poll Tax ..	11,399	21,000	3,005	5,255	—	—	42,571
European Education Tax ..	14,481	14,481	—	—	—	—	11,399
Asiatic Education Tax ..	14,786	2,788	346	12,888	—	—	14,481
Estate Duty ..	42,506	99,170	3,251	18,114	530,877	—	94,680
<i>Total</i> ..	109,583	137,480	44,739	16,925	1,985,813	2,345	696,584
<b>INDIRECT TAXATION.</b>							
Patrol Tax ..	22,292	4,047	182	367	368	—	27,290
Wines and Spirits Consumption Tax ..	11,791	3,300	2,106	—	—	—	17,114
Beer Excise Duty ..	334,477	145,213	47,846	16,892	199,181	2,345	745,554
<i>Total</i> ..	368,560	152,660	50,234	17,266	205,616	—	784,276
<b>OTHER TAXATION REVENUE.</b>							
Native Registration ..	—	—	—	—	1,460	—	1,460
Game Licences ..	11,166	228	—	66	79	—	11,605
Explosives, Gun and Ammunition Licences ..	2,114	527	—	71	182	—	2,899
<i>Total</i> ..	13,280	755	—	137	1,721	—	15,833
<b>GRAND TOTAL.</b>							
	1,238,163	290,145	94,973	17,191	2,192,629	2,345	3,846,376

Liquor Licences ..	4,684	5,147	2,070	18	2,322	—	11,241
Traffic Licences ..	42,816	7,735	349	701	705	—	52,105
Miscellaneous Licences ..	1,768	1,102	86	493	518	—	3,967
Licences under Sale of Goods—	—	—	—	—	—	—	—
Motor Control Certificate ..	1,954	1,290	—	—	2	—	1,290
Coffee Licences ..	1,596	1,068	117	197	195	—	1,302
Registration of Documents and Title Deeds ..	43,265	15,868	598	452	284	1,652	49,904
Stamp Duty, various Revenue purposes ..	55	390	6	1,954	1,863	—	3,638
Cattle Traders' Licences ..	1,276	44,812	801	369	423	—	21,571
Traders' Licences ..	1,624	1,739	48	279	157	—	3,847
Expansive Goods, Official Reserve's and Patent Masters' Fees ..	965	257	17	—	—	—	1,269
Registration of Companies and Business Names ..	483	48	4	—	—	—	530
Registration of Inventors' Designs and Trade Marks, and Bills of Sale Fees ..	792	569	15	23	30	22	1,401
Conveyancing Fees on Crown Titles ..	236	58	—	1,216	1,841	—	3,951
Market and Cattle Pound Fees ..	—	—	—	—	—	—	—
Miscellaneous Fees (Consent, Marriage and Divorce; Translation and Copying; Testing Weights and Measures; Legal Agency Fees under Ordinances for Ex-sports, Dentists and Druggists, Pawnbrokers, etc.) ..	1,216	327	29	346	1,405	—	3,332
Fees for Licences to Exhibit Films ..	94	77	—	—	—	—	964
<i>Total</i> ..	109,113	45,406	4,957	6,241	11,446	1,936	178,199



APPENDIX 1—(Continued).

SCHEDULE 2—(Continued).

	Europeans.	Indians.	Goans.	Arabs.	Natives.	Indivisible.	Total.
	£	£	£	£	£	£	£
<b>OTHER REVENUE (NOT TAXATION).</b>							
Fines and Forfeitures . . . . .	660	1,030	24	310	20,607	—	22,631
Fees of Court . . . . .	3,162	9,120	343	1,817	10,226	—	24,668
Survey Fees . . . . .	3,449	348	32	33	74	108	4,044
Veterinary Inoculation Fees, etc. . . . .	3,442	170	—	1,352	6,929	—	11,893
Hospital Fees . . . . .	9,635	412	24	22	—	594	10,083
Bills of Health . . . . .	—	42	—	21	—	—	657
Infectious Diseases Hospital Fees, Nairobi Municipality . . . . .	—	—	—	—	—	292	292
Infectious Diseases Hospital Fees, Mombasa Municipality . . . . .	—	—	—	—	—	121	121
Marine Protest Fees . . . . .	374	886	—	23	8	17	1,479
Passport Fees . . . . .	4,112	5,194	188	—	—	—	4,112
Tuition Fees, European Schools . . . . .	12,436	—	—	—	—	—	12,436
Boarding Fees, European Schools . . . . .	—	1,000	—	—	—	14	1,000
Special Police Guards . . . . .	163	—	—	—	—	40	4,248
Conservancy, Water Rates, etc., General . . . . .	1,915	2,010	172	28	85	28	4,248
Medical Research Laboratory . . . . .	623	72	4	—	—	—	727
Agricultural Produce, Grading, Conditioning and Cold Storage Fees, etc. . . . .	6,665	470	—	—	—	—	7,135
Registration of Domestic Servants . . . . .	316	104	—	—	—	—	420

Widows' and Orphans' Pensions Contributions . . . . .	25,268	—	—	—	—	—	25,268
Aviation Housing and Landing Fees . . . . .	518	—	—	—	—	—	518
Fees from Agricultural Chemical Laboratory . . . . .	108	—	—	—	—	—	108
Fees from Government Analyst . . . . .	156	—	—	—	—	53	209
Boarding Fees, Arab and African . . . . .	—	—	—	—	69	—	69
Reimbursements . . . . .	588	—	—	—	2,688	887,864	891,140
Posts and Telegraphs . . . . .	—	—	—	—	168,132	168,132	168,132
Earnings of Government Departments and Royalties . . . . .	24,001	12,468	2,223	2,980	2,383	44,206	87,621
Revenue from Government Property . . . . .	51,963	8,603	650	728	725	9,278	71,947
Sale of Government Property . . . . .	2,052	557	9	88	2,588	9,283	14,577
Miscellaneous Receipts . . . . .	7,433	512	40	23	1,713	13,146	16,182
Interest . . . . .	—	—	—	—	—	22,461	22,461
Forest Department Revenue . . . . .	1	8	—	20	309	30,863	30,901
Land Sales . . . . .	20,399	6,207	—	—	—	3,250	29,856
Colonial Development Fund . . . . .	—	—	—	—	—	30,923	30,923

Total Other Revenue (Not Taxation) £

179,595

49,213

3,752

6,903

49,596

1,220,110

1,509,169

## APPENDIX 1.

## SCHEDULE 3.

## Incidence of Customs Duties, 1931.

NOTE BY COMMISSIONER OF CUSTOMS.

Figures in the last column are exact. The remainder are purely estimates liable to a wide margin of error so far as individual items are concerned, but probably not grossly inaccurate in regard to aggregate totals.

The difficulty of assessing the amount of duty paid by various sections of the community on such articles as motor spirit, cinema films, building materials, etc., is obvious, and the statement is submitted with considerable diffidence, seeing that it is based so largely on guess-work.

G. WALSH,  
Commissioner of Customs,  
Kenya and Uganda.

APPENDIX 1—Continued.  
SCHEDULE 3—Continued.  
An Estimate of the Incidence of Taxation through the Customs Tariff based on the Net Customs Duty collected on Goods retained for Consumption in Kenya during the year 1931.

Articles.	Europeans.	Indians.	Goans.	Arabs, Somalis and others.	Natives.	Total net duty.
CLASS I—						
Wheat	£ 5	£ 350	£ 5	£ 30	£	£ 385
Barley		8				18
Rice	617	6,000	1,000	1,000	8,500	17,117
Millet		100	50	34	100	284
Other Grain		30			2	32
Beans					20	20
Pulse		200	22		100	322
Dhal		1,000	140			1,140
Wheat, Meal, and Flour		9,000	500	500	240	13,740
Pulse Meal and Flour	3,500	200	33			3,733
Other Meal and Flour						
Feeding Stuffs, other sorts	14	20	10	10	50	64
Bacon and Ham	11		4		60	76
Meat, Tinned, Canned or otherwise preserved	60		15			75
Poultry and Game, Dead	900	10				910
Aerated Waters	5					5
Ale, Beer, Stout, etc.	70	5	6			81
Beta Nuts	10,000	842	1,500			12,342
Baking Powder		400		16		416
Beverages and Syrups	250	20	47			317
Biscuits	332	300	100		50	832
Butter	1,400	958	200			1,958
	40	3	3			46

## APPENDIX 1.

## SCHEDULE 3.

## Incidence of Customs Duties, 1931.

NOTE BY COMMISSIONER OF CUSTOMS.

Figures in the last column are exact. The remainder are purely estimates liable to a wide margin of error so far as individual items are concerned, but probably not grossly inaccurate in regard to aggregate totals.

The difficulty of assessing the amount of duty paid by various sections of the community on such articles as motor spirit, cinema films, building materials, etc., is obvious, and the statement is submitted with considerable diffidence, seeing that it is based so largely on guess-work.

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APPENDIX 1—Continued.  
SCHEDULE 3—Continued.  
An Estimate of the Incidence of Taxation through the Customs Tariff based on the Net Customs Duty collected on Goods retained for Consumption in Kenya during the year 1931.

Articles.	Europeans.	Indians.	Goans.	Arabs, Somalis and others.	Natives.	Total net duty.
CLASS I—						
Wheat	£ 5	£ 350	£ 5	£ 30	£	£ 385
Barley	..	8	..	..	..	18
Rice	..	6,000	1,000	1,000	8,500	17,117
Millet	617	100	50	34	100	264
Other Grain	..	30	..	..	2	32
Beans	..	..	..	..	20	20
Pulse	..	..	..	..	100	100
Dhall	..	200	22	..	..	222
Wheat, Meal, and Flour	..	1,060	140	..	..	1,140
Pulse Meal and Flour	3,500	9,000	500	500	240	13,740
Other Meal and Flour	..	200	33	..	..	233
Feeding Stuffs, other sorts	..	14	..	..	50	64
Bacon and Ham	..	11	10	..	60	111
Meat, Tinned, Canned or otherwise preserved	..	60	4	..	..	64
Poultry and Game, Dead	300	..	15	..	..	305
Aerated Waters	5	..	6	..	..	11
Alc, Beer, Stout, etc.	70	842	1,500	..	..	81
Betal Nuts	10,000	400	..	..	..	12,842
Baking Powder	250	20	47	16	..	416
Beverages and Syrups	332	300	100	..	..	317
Biscuits	1,400	358	200	50	50	832
Butter	40	3	3	..	..	1,958
						46

APPENDIX 1—(Continued).  
SCHEDULE 3—(Continued).

Articles.	Europeans.	Indians.	Goans.	Arabs, Somalis and others.	Natives.	Total and duty.
<i>CLASS 1—Continued.</i>						
Cakes, Pudding, and Pastry	£ 9	—	—	—	—	£ 9
Cheese	300	10	22	—	—	332
Coffee, Parchment	6	—	—	—	—	6
Unhulled	10	—	—	—	—	10
Prepared	1	—	—	—	—	1
Chocolates and manufactures thereof	800	283	200	—	300	1,383
Other Sweets and Confectionery	800	404	400	100	300	2,004
Dates	20	20	20	300	100	490
Extracts and Essences, Food	50	20	7	—	—	77
Extracts and Essences, Flavouring	50	54	50	50	50	254
Fish, Salted, Pickled, or Dried	36	20	20	100	200	376
Fish, Canned or otherwise preserved	750	250	300	100	127	1,527
Fish, Fresh or Frozen	100	—	8	—	—	108
Fruit, Bottled, Canned or otherwise preserved	800	19	100	—	100	919
Fruit, Dried	300	757	100	100	100	1,357
Garlic and Onions, not preserved	88	2,000	100	300	—	2,488
Ghee	—	1,100	—	24	—	1,124
Hops	100	—	10	—	—	119
Lard and its Compounds	60	5	8	—	—	73
Macaroni, Vermicelli and Spaghetti	200	—	52	—	—	252
Milk and Wort, Condensed	250	10	12	—	—	272
Margarine, Mince, and similar substances for use as food or in cooking	150	—	14	—	—	164
Marmalades, Jams and Jellies	500	100	188	—	50	888

Molasses	2,900	1,500	500	500	864	5,364
Milk, Condensed or otherwise preserved	350	50	48	—	—	448
Patent Foods	400	100	796	23	—	1,299
Pickles, Sauces, Chutneys and Condiments	600	1,219	500	500	1,000	3,819
Provisions, Other	180	20	10	—	—	210
Table Salt	59	—	—	—	—	59
Salt for Curing, Dairy and Agricultural purposes	500	740	200	500	2,000	3,940
Salt, Other	200	1,500	100	59	—	1,889
Spices	5,000	4,337	9,000	—	—	18,337
Brandy	18,000	—	644	—	—	18,644
Gin and Geneva	2,000	25	500	—	—	2,525
Liqueurs	250	—	18	—	—	268
Rum	75,000	5,121	8,000	—	—	88,121
Whisky	50	—	14	—	—	64
Spirits, Unenumerated	—	9	—	5	15	29
Jaggery	500	566	200	200	500	1,966
Sugar, Refined, in bulk	300	25	38	—	—	363
Refined, in packages or tins	25	—	—	—	—	25
Saccharine and derivatives thereof	1,000	850	113	150	500	2,613
Tea	4,000	—	296	—	—	4,296
Vermouth	3,000	—	279	—	—	3,279
Wine, Still in bottles	800	—	135	—	—	935
Still in casks	1,500	50	46	—	—	1,596
Sparkling Wine (Champagne)	200	—	26	—	—	226
Other Foods	175	50	50	25	75	375
Yeast	3	—	—	—	—	3
Cigarettes	6,254	5,000	2,000	1,000	40,000	54,254
Cigars and Cigarillos	1,000	166	90	—	—	1,190
To Bacco, Manufactured	2,000	1,600	409	500	15,000	18,909
Unmanufactured	—	—	—	—	10	10
Snuff	—	—	—	—	100	100
<i>Total</i>	147,112	46,289	28,562	6,289	70,113	298,355



APPENDIX I—(Continued).  
SCHEDULE 3—(Continued).

Articles.	Europeans.	Indians.	Goans.	Arabs, Somalis and others.	Natives.	Total net duty.
<b>CLASS II—</b>						
Teak	£ 900	£ 300	£ 77	£ —	£ —	£ 677
Timber, Hewn or Squared	1,000	700	200	100	306	2,306
Fluted or Dressed	70	9	—	—	—	79
Other Sorts	20	10	—	—	7	37
Cott. Fibre	10	10	5	—	3	28
Cann Amibo	7	—	—	—	—	7
Rubber	1	5	—	3	5	13
Oil, Coconut	50	16	—	—	5	66
Coconut	100	40	2	—	—	142
Shells, Mother of Pearl	—	—	—	—	—	—
Shells, Madras	—	—	—	—	—	—
Goods, Unmanufactured	1,587	1,096	284	103	928	3,976
<b>Totals</b>						
<b>CLASS III—</b>						
Chamberlain, Porcelainware	250	250	50	25	82	657
Porcelain	25	25	—	—	—	50
China	200	200	25	—	—	425
Table	350	100	10	—	—	460
Porcelainware	300	200	100	100	207	907
Chamberlain, Other	30	50	—	50	262	412
Chamberlain, Globes and Shades	—	—	—	—	—	—

Glass Bottles and Jars, Common	6	100	50	20	50	12
Glassware, Domestic and Fancy	281	75	19	30	80	451
Mirrors and Looking-glasses	75	88	88	—	—	269
Mirrors and Looking-glasses	300	200	228	—	—	888
Bags, Bags, Axes, Staples and Sections	350	152	100	50	200	852
Goods and Cases, Unspecified	250	200	45	—	—	495
Admiral, Manufactured	6,000	2,000	300	37	50	8,857
Canvas, Building	20	8	—	—	—	28
Canvas, Prepared	20	6	—	—	—	26
Flax	20	6	—	—	—	26
Calcutta	5	5	—	—	—	10
Shirts, Knitting	300	38	—	—	—	338
Woolen and Cotton Products, Manufactured, Unspecified	8	38	—	—	—	46
Articles, Cotton and Woollen	500	200	88	—	—	788
Bags, Bags, Axes, Staples and Sections	150	80	28	—	—	228
Buildings, Sections and Parts thereof	1,990	800	271	150	—	2,721
Buildings, Sections and Parts	1,500	1,200	300	200	681	3,881
Galvanized Sheets, Corrugated	250	100	91	—	—	371
Galvanized Sheets, Flat	50	40	15	—	—	105
Silken Reams, Jute, Flax, etc.	210	500	100	100	500	1,410
Hollow-ware, Enamelled	51	50	10	10	201	201
Hollow-ware, Not Enamelled	600	300	75	25	187	1,187
Nails, Screws, Rivets, Bolts, Hinges, etc.	100	87	—	—	—	354
Plates and Sheets, Not Galvanized	250	75	31	—	—	356
Stoves, Grates, and Ranges (domestic)	125	100	25	—	—	250
Saddles	5	—	—	—	—	5
Tubes, Pipes, and their Fittings	2	—	—	—	—	2
Wire Cable and Rope (Not Electrical)	—	—	—	—	—	—
Wire Iron, Other Sorts	—	—	—	—	—	—
Wire Steel, Other Sorts	—	—	—	—	—	—
Wire Meshes	—	—	—	—	—	—
Iron and Steel Manufacturers n/e	30	19	—	—	30	30
Aluminium Hollow-ware, Domestic	1,000	500	100	88	200	1,869
Aluminium Wire	50	50	13	—	20	133
Aluminium Sheets	300	—	70	—	35	375
Aluminium Sheets	—	400	—	100	500	1,370

APPENDIX 1—(Continued).  
SCHEDULE 3—(Continued).

Articles.	Europeans.	Indians.	Goans.	Arabs, Somalis and others.	Natives.	Total net duty.
	£	£	£	£	£	£
CLASS III.—(Continued).						
Brass Sheets, Plain or Perforated	15	6				21
Brass Wire	30	12			350	392
Brass Manufactures, Unenumerated	150	150	6		50	356
Copper Sheets, Plain or Perforated	6	3				9
Copper Wire	13				300	313
Copper Manufactures, Unenumerated	6	16	4			26
Lead Bar and Sheet	30	5				35
Lead Manufactures, Unenumerated	30	20	8			58
Tin Bar, Plate or Sheet	2	2		10		4
Tin Manufactures, Unenumerated	50	50	16			176
Zinc Bar, Plate or Sheet	10	2				2
Zinc Manufactures	2					48
Metal Bar, Block, Ingots, or Pigs	40	8				766
Metal Manufactures, not elsewhere specified	500	150	50	20	46	766
Agricultural and Horticultural Tools	50				7	57
Articles' Tools	298	500	50		50	898
Electric Lamps, Magic Lanterns, Cinematographs, and Parts thereof	125	25	15	5	16	186
Clocks, Complete	100	90	25	10	50	275
Cutlery, Wares not elsewhere specified	185	150	25	50	360	769
Hardware, other than blow-wire	100	100	25	10	145	380
Locks and Fastenings for Doors and Windows	400	360	30		250	1,062
Implements and Tools and Parts thereof	400	100	25	10	164	689

Knives, other Machine Knives	50	35	5	10	188	288
Optical Instruments	3					3
Photographic Cameras, Parts and Accessories	300	51	50			401
Rulers, Squares, and Mirrors	13					13
Razors	20	20	10	4	25	79
Scissors, Spades, Axes and Machetes	40	20	5	5	50	120
Scientific Instruments and Apparatus	7					7
Sevens, Presses and other Oil	30	40	15	5	17	137
Watches, complete	900	300	10		23	1,033
Electric Clocks and Apparatus	150	600	60			1,450
Electric Light Fittings	800	50	18			2,118
Pumps and Pumps Machinery	200	200	68		100	1,468
Machinery used in Sawmills, Presses	100	30			16	318
Machines, Agricultural, Sewing, and other	100	30				110
Machines, Addressing, Typewriting, and other	25					8
Perforating	2	1	3			33
Cash Registers	2					2
Knitting Machines (Domestic)	200	350	50		250	880
Sewing Machines (Domestic)	300	125	12			437
Typewriters and Accessories	50	300	30	10		143
Washing Machines (Sinks, Sinks, etc.)	400	300	20	20	166	956
Washing Machines (Sinks, Sinks, etc.)	125	60	30	13	203	665
Electric Window Blinds, Domestic	300	300	22	20	95	695
Woolen Manufactures, not elsewhere specified	500	3,000	200	100	36,400	40,022
Cotton, Bleached, grey unbleached	592	1,500	200	200	2,100	4,592
Cotton, Bleached, grey unbleached	1,000	1,800	200	794	3,000	6,794
Woolen Manufactures, not elsewhere specified	1,250	3,250	500	617	10,000	15,617
Woolen Manufactures, not elsewhere specified	1,000	1,800	200	794	3,000	6,794
Woolen Manufactures, not elsewhere specified	1,250	3,250	500	617	10,000	15,617
Woolen Manufactures, not elsewhere specified	1,000	1,800	200	794	3,000	6,794
Woolen Manufactures, not elsewhere specified	1,250	3,250	500	617	10,000	15,617
Cotton Manufactures	4,000	8,274	500	1,000	9,000	15,274
Threads	200	500	100	1,180	12,200	14,671
Yarns	300	320	30	50	500	1,180
Yarns	150	100	50	20	104	1,404

APPENDIX 1—(Continued).  
SCHEDULE 3—(Continued).

Articles	Europeans.	Indians.	Goans.	Arabs, Somalis and others	Natives.	Total net duty.
CLASS III.— <i>continued</i>						
Brass Sheets, Plain or Perforated	£ 15	£ 6	£ —	£ —	£ —	£ 21
Brass Wire	30	12	—	—	350	392
Brass Manufactures, Unenumerated	150	150	6	—	50	356
Copper Sheets, Plain or Perforated	6	3	—	—	300	9
Copper Wire	13	—	—	—	—	313
Copper Manufactures, Unenumerated	6	16	4	—	—	26
Lead, Bar and Sheet	30	30	5	—	—	65
Lead Manufactures, Unenumerated	30	20	8	—	—	58
Tin, Bar, Plate or Sheet	2	2	—	10	50	4
Tin Manufactures, Unenumerated	10	50	16	—	—	176
Zinc, Bar, Plate or Sheet	2	—	—	—	—	12
Zinc Manufactures	40	8	—	—	—	2
Metal, Bar, Block, Ingots, or Pigs	500	150	50	20	46	766
Metal Manufactures, not elsewhere specified	50	—	—	—	7	57
Agricultural and Horticultural Tools	298	500	50	—	50	898
Artisans' Tools						
Binoculars, Magic Lanterns, Cinematographs, and Parts thereof	195	25	15	5	16	186
Clocks, Complete	100	90	25	10	50	275
Cutlery, Wares not elsewhere specified	185	150	25	50	350	760
Hardware, other than hollow-ware	100	100	25	10	145	380
Locks and Fastenings for Doors and Windows	400	360	30	22	250	1,062
Implements and Tools and Parts thereof	400	100	25	10	164	699

Articles	Europeans.	Indians.	Goans.	Arabs, Somalis and others	Natives.	Total net duty.
Knives, other than Machine Knives	50	35	5	10	188	288
Optical Instruments	3	—	—	—	—	3
Photographic Cameras, Parts and Accessories	300	51	50	—	—	401
Shavers, Razors, and Mowers	13	—	—	4	25	13
Razors	20	20	10	5	50	79
Saws, Spades, Axes and Hatchets	40	20	5	—	—	120
Scientific Instruments and Appliances	7	40	15	5	17	137
Stoves, Primus and other Oil	94	30	10	—	2	103
Watches, complete	40	900	80	—	—	1,450
Electric Goods and Apparatus	900	600	18	—	—	2,18
Electric Light-balls	150	50	68	—	100	1,468
Pumps and Pumping Machinery	800	500	—	—	16	316
Machinery and Parts not elsewhere specified	250	50	—	—	—	110
Machines, Adding and Calculating	100	10	—	—	—	8
Machines, Addressing, Duplicating, Numbering, and Perforating	8	—	—	—	—	33
Cash Registers	25	5	3	—	—	2
Knitting Machines (Domestic)	2	—	—	—	—	880
Sewing Machines (Domestic)	250	330	50	—	250	437
Typewriters and Accessories	300	125	12	—	—	143
Weighing Machines (Scales, Balances, etc.)	50	50	20	10	13	956
Furniture and Cabinet-Ware	460	300	20	20	186	208
Builders' Woodwork (Window-frames, Domestic)	125	65	—	—	—	13
Wooden Manufactures not elsewhere specified	300	200	50	20	95	668
Cotton Piece-goods, grey, unbleached	500	3,000	22	100	36,400	40,022
bleached	592	1,500	200	200	2,100	4,592
printed, kangas	1,000	1,800	—	—	3,000	2,763
printed, other sorts	1,250	3,250	—	754	6,794	6,794
dyed in the piece	—	—	—	617	10,000	15,617
coloured (manufactured wholly or in part of dyed yarn)	1,500	3,274	500	1,000	9,000	15,274
Cotton Blankets	200	500	100	1,671	12,200	14,671
Threads	300	320	30	30	500	1,180
Yarns	150	100	30	20	104	404



APPENDIX 1—(Continued).  
SCHEDULE 3—(Continued).

Articles.	Europeans	Indians	Goans.	Arahs, Semahs and others.	Natives.	Total net duty.
	£	£	£	£	£	£
CLASS III—continued.						
Cotton Manufactures, not elsewhere specified.	2,500	500	50	35	250	3,335
Woolen Blankets	700	500	184	200	1,800	3,384
Carpets and Rugs	450	250	50	50	39	839
“ Tissues	780	100	25	25	53	953
“ Yarns	27	—	—	—	—	27
Manufactures, not elsewhere specified	300	40	15	8	—	363
Silk Tissues	1,500	2,100	250	180	350	4,350
“ Yarns	20	8	—	—	—	28
“ Manufactures, not elsewhere specified	100	50	—	—	—	161
Awning, Tarpaulin, Tents, etc.	125	34	—	—	—	189
Coir Mats and Matting	30	40	10	5	16	101
Cordage, Ropes, and Twine, Other	400	130	—	25	—	617
Jute Carpets and Rugs	25	8	—	—	—	34
Linen Piece-goods	50	15	4	—	—	68
“ Thread	30	2	—	—	—	32
Linen Manufactures, not elsewhere specified	350	60	21	—	—	431
Sail Cloth and Canvas	300	300	—	—	15	815
Textile Manufactures, not elsewhere specified	250	50	6	—	—	308
Artificial Silk Piece-goods	1,000	1,800	250	100	750	3,900
Artificial Silk Manufacturers	61	20	10	—	—	91
Boots and Shoes	1,000	600	200	100	555	2,455

Haberdashery	1,000	500	100	24	100	1,724
Hats, Caps, etc.	300	300	75	39	30	1,214
Stockings and Hose	500	100	25	10	30	665
Hosiery, Other	2,000	200	50	—	15	2,265
Wearing Apparel, second-hand, imported for sale	—	—	—	73	1,400	1,473
Wearing Apparel, not elsewhere specified	2,000	1,000	500	200	1,073	4,773
Carbonic Acid Gas	30	7	4	—	—	41
Carbide of Calcium	10	—	—	—	—	10
Chemical Manufactures and Products, Unenumerated	1,000	300	—	—	176	1,476
Dyestuffs and Extracts for Dyeing and Tanning	60	20	10	10	7	107
Fainters Colours and Varieties	1,000	750	250	—	159	2,169
Products and Materials, not elsewhere specified	35	—	—	28	—	28
Sodium Carbonate	300	19	—	—	—	319
“ Caustic	100	25	—	—	—	125
“ Sulphocyanide	2	—	—	—	—	2
Candles	75	25	10	—	37	147
“ Lubricating Oils	1,250	750	100	50	205	2,355
“ Lubricating Greases	100	—	—	—	43	343
Motor Spirit	30,000	20,000	2,000	384	6,000	58,384
Mineral Oil, Illuminating or Burning (Kerosene)	3,000	2,027	500	1,000	14,000	20,527
Sosp. Common	750	500	100	150	951	2,451
“ Toilet	1,000	84	150	—	—	1,234
“ Other	100	46	—	—	—	146
Turpentine	50	20	4	—	74	146
Oils, Essential and Perfumed	150	50	20	5	32	257
Oil Manufactures n/c	350	42	—	—	—	392
Leather, Dressed	500	400	100	—	160	1,169
Saddlery and Harness	287	—	—	—	—	287
Leather Manufactures	700	100	25	—	25	900
Paper, Cigarette	—	100	—	—	8	8
“ Packing	500	100	50	—	134	834

APPENDIX 1—(Continued).  
SCHEDULE 3—(Continued)

Articles	Europeans	Indians	Goans.	Arabs, Somalis and others.	Natives.	Total net duty.
	£	£	£	£	£	£
CLASS III—contd.						
Paper, Printing	500	342	—	—	—	842
" "	100	40	—	—	—	149
" "	70	60	—	30	50	230
Playing Cards	4,000	1,500	250	50	264	6,064
Paper Manufactures, Unspecified	1,400	300	29	—	—	1,729
Cycles (not Motor)	50	50	50	—	389	1,549
Motor Cars	6,000	3,000	362	—	—	9,362
Motor Car Parts and Accessories	2,250	1,250	82	—	—	3,582
Motor Lorries	500	432	—	—	—	932
Motor Lorry Parts and Accessories	100	99	—	—	—	199
Motor Cycles	75	75	25	—	53	228
Motor Cycle, Sidecar and Tricar Parts and Accessories	70	70	20	—	24	184
Other Vehicles, not mechanically propelled	50	50	20	—	36	156
Other Vehicles, Parts of and Accessories	100	100	20	—	55	275
Motor Car Covers	3,500	1,750	250	—	479	5,979
" " Tubes	500	250	35	—	102	887
Motor Cycle Covers	20	20	5	—	4	49
" " Tubes	10	10	2	—	4	26
" " Tubes	4	4	—	—	20	24
" " Tubes	8	—	—	—	20	28
" " Tubes	—	—	—	—	4	4
" " Tubes	—	—	—	—	20	24
" " Tubes	—	—	—	—	20	24
" " Tubes	—	—	—	—	30	38

Power Lorry Covers	1,500	750	200	—	253	2,753
" " Tubes	170	80	20	50	33	310
Rubber Manufactures, unspecified	800	110	23	20	50	503
Air Guns and Air Rifles	6	—	—	—	—	6
Ammunition (Sporting)	750	—	6	—	—	756
Basketware	20	—	—	—	—	27
Beads	80	—	—	—	—	80
Blacking	100	20	—	—	—	125
Polishes	1,280	150	28	—	—	2,090
Brooms and Brushes	400	150	50	20	—	1,378
Electro-plated ware	100	30	8	—	—	179
Felt, Rubberoid, Uralite, and similar substances for building purposes	200	38	—	—	—	138
Films for Binoculars and Cinematographs	290	75	25	10	20	238
Films and Plates for Photographic Cameras	478	74	25	—	—	420
Guns, Rifles, Revolvers, and Pistols	623	—	—	—	—	574
Gold, and Silver-plated ware	90	4	—	—	—	623
Jewellery and imitation Jewellery	120	27	—	10	60	94
Lamps and Lanterns	200	227	50	50	280	280
Matches, Wooden	851	1,000	300	200	6,000	1,277
" " other sorts	70	5	—	—	—	8,351
Methylated Spirits	750	500	250	—	—	16
Musical Instruments	1,000	800	96	—	782	2,282
Perfumery, Cosmetics and Toilet Preparations	750	200	200	—	—	1,896
Perfumed Spirits	40	7	—	—	—	1,009
Pictures and Engravings	100	25	2	—	—	47
Rockets and Fireworks	100	100	25	—	—	2
Starch	100	100	100	25	231	182
Blue	—	—	—	—	—	481
Toys, Games, and Sports Goods, and Billiards and Bagatelle Requisites	500	100	100	—	—	705
Umbrellas	50	200	32	—	100	382

APPENDIX I—(Continued)  
SCHEDULE 3—(Continued)

Articles	Europeans.	Indians	Goods	Arabs, Somalis and others	Natives.	Total net duty.
CLASS III.— <i>contd.</i> Household Effects, Unenumerated as Personal and Baggage Passengers' Goods, Manufactured, not elsewhere specified	£ 70 12,000 127,403	£ 3 6,000 80,085	£ — 2,016 13,893	£ — — 8,753	£ — — 123,346	£ 73 — 20,016 353,480
CLASS V. Parcel Post	£ 22,500	£ 10,000	£ 2,000	£ 1,500	£ 5,028	£ 41,028
CLASS I II III V	£ 147,112 1,567 127,403 22,500	£ 46,299 1,096 80,085 10,000	£ 28,562 284 13,893 2,000	£ 6,269 103 8,753 1,500	£ 70,113 326 123,346 5,028	£ 288,355 3,376 353,480 41,028
GRAND TOTAL	£ 298,582	£ 137,480	£ 44,739	£ 16,625	£ 198,813	£ 696,239
	Per cent. 42.88	Per cent. 19.75	Per cent. 6.43	Per cent. 2.39	Per cent. 28.55	—

APPENDIX 1—(Continued).

SCHEDULE 4.

Classification of Expenditure in 1931.

SUMMARY.

	£	
Indivisible Services	1,771,180	<i>Vide</i> Schedule 5.
European Services	171,247	" " 6.
European and Native (Indivisible) Services	2,962	P.W.D. Water-boring.
Asiatic Services	46,080	<i>Vide</i> Schedule 7.
Non-Native (Indivisible) Services	8,948	" " 8.
Native Services	331,956	" " 9.
Reimbursements and Cross Entries	883,716	
Total	£3,216,089	

SCHEDULE 5.

Expenditure on Indivisible Services.

	£
Government House Votes	15,992
Audit Department Votes (net, after deducting reimbursements)	14,214
Coast Agency (net, after deducting reimbursements)	3,856
Conference of East African Governors	1,228
Customs Department (net, after deducting reimbursements)	31,354
Game Department	10,355
Judicial Department	33,087
Legal Department	9,420
Military Votes (including Defence Force) (net, after deducting reimbursements)	93,158
Pensions and Gratuities (excluding European Widows' and Orphans' Pensions)	130,390
Police Votes (net, after deducting reimbursements)	141,028
Printing and Stationery	32,475
Prisons	46,714
Public Debt ( <i>vide</i> Note No. 1, page 85) (net, after deducting reimbursements)	87,214
Registrar-General	5,842
Rent and Interest paid to Sultan of Zanzibar	16,000
Secretariat and Legislative Council	19,024
Survey and Registration Department	36,232
Trade and Information Office	4,837
Treasury (net, after deducting reimbursements)	25,336
Statistical and Meteorological Services	4,031
Native Registration Department	8,961
Domestic Servants' Registration	1,648
Finger Print Bureau	7,535
Miscellaneous Services—( <i>vide</i> Statement A attached) net, after deducting reimbursements	74,887
Forest Department ( <i>vide</i> Note No. 2, page 87)	34,902
Contributions to Local Government Authorities ( <i>vide</i> Statement B attached)	101,751

APPENDIX 1—(Continued)  
SCHEDULE 3—(Continued)

	Europeans	Indians	Goans	Arabs, Somalis and others	Natives	Total net duty.
	£	£	£	£	£	£
CLASS III— <i>contd.</i>						
Household Effects, Unenumerated as	70	3	—	—	—	73
Personal and Baggage	12,000	6,000	2,016	—	—	20,016
Passengers						
Miscellaneous Goods Manufactured not elsewhere specified	£ 127,403	80,085	13,893	8,753	123,346	353,480
CLASS V.						
Parcel Post	22,500	10,000	2,000	1,500	5,028	41,028
CLASS I	147,112	46,299	28,562	6,269	70,113	298,355
II	1,567	1,096	284	103	926	3,376
III	127,403	80,985	13,893	8,753	123,846	353,480
V	22,500	10,000	2,000	1,500	5,028	41,028
GRAND TOTAL	£ 298,582	137,480	44,739	16,625	198,813	696,239
	Per cent. 42.88	Per cent. 19.75	Per cent. 6.43	Per cent. 2.39	Per cent. 28.55	—

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APPENDIX 1—(Continued).

SCHEDULE 4.

Classification of Expenditure in 1931.

SUMMARY.

	£	
Indivisible Services	1,771,180	Vide Schedule 5.
European Services	171,247	" " " 6.
European and Native (Indivisible) Services	2,962	P.W.D. Water-boring.
Asiatic Services	46,080	Vide Schedule 7.
Non-Native (Indivisible) Services	8,948	" " " 8.
Native Services	331,956	" " " 9.
Reimbursements and Cross Entries	883,716	
Total	£3,216,089	

SCHEDULE 5

Expenditure on Indivisible Services.

	£
Government House Votes	15,992
Audit Department Votes (net, after deducting reimbursements)	14,214
Coast Agency (net, after deducting reimbursements)	3,956
Conference of East African Governors	1,228
Customs Department (net, after deducting reimbursements)	31,354
Game Department	10,355
Judicial Department	33,087
Legal Department	9,420
Military Votes (including Defence Force) (net, after deducting reimbursements)	93,158
Pensions and Gratuties (excluding European Widows' and Orphans' Pensions)	130,390
Police Votes (net, after deducting reimbursements)	141,028
Printing and Stationery	32,475
Prisons	46,714
Public Debt (vide Note No. 1, page 85) (net, after deducting reimbursements)	87,214
Registrar-General	5,842
Rent and Interest paid to Sultan of Zanzibar	16,000
Secretariat and Legislative Council	19,024
Survey and Registration Department	36,232
Trade and Information Office	4,837
Treasury (net, after deducting reimbursements)	25,336
Statistical and Meteorological Services	4,031
Native Registration Department	8,961
Domestic Servants' Registration	1,648
Finger Print Bureau	7,535
Miscellaneous Services—(vide Statement A attached) net, after deducting reimbursements)	74,887
Forest Department (vide Note No. 2, page 87)	34,902
Contributions to Local Government Authorities (vide Statement B attached)	101,751

## APPENDIX 1—(Continued).

## SCHEDULE 5—(Continued).

Administration ( <i>vide</i> Note No. 3, page 88)	196,786
Agriculture ( <i>vide</i> Note No. 4, page 89)	88,482
Education ( <i>vide</i> Note No. 5, page 89)	16,363
Medical ( <i>vide</i> Note No. 6, page 91)	73,268
Public Works Department ( <i>vide</i> Note No. 7, page 8)	253,594
	1,620,064
Add—Post Office and Telegraphs (less reimbursements from Uganda)	151,110
Total Indivisible Services (less reimbursements)	£1,771,18

## Statement A.

Miscellaneous Services Expenditure	£
Maintenance of Landing Grounds	72
Subsidy to Imperial Airways	7,500
Commission and Fees to Bombay Agents	1,380
Commissions of Enquiry and Committees	538
Contingencies	402
Contribution to African Affairs Report	20
Contribution to Naval Entertainment Fund	150
Purchase of Cycle Discs	90
Expenses of Distinguished Visitors	23
Repairs to Duplicating Machines	2
Expenses of Film Censorship Board	228
Grant to East Africa and Uganda Natural History Society	700
Grant to Imperial Institute	300
Guarantee in respect of Nanyuki Branch Railway	2,306
Guarantee in respect of Thomson's Fall Branch Railway	7,856
Guarantee in respect of Kisumu-Yala Branch Railway	9,709
Insurance of Specie	35
Language Examination Expenses	224
Contribution to International Institute of African Languages etc	100
Contribution to Inter-Territorial Languages Committee	1,000
Management Expenses of Loans (less reimbursements)	370
Contribution to Mechanical Transport Committee	500
Burials of Destitute Persons	100
Postages	300
Preservation of Ancient Monuments	40
Refunds of Revenue	9,850
Commission, etc., on Remittances	58
Rent of Land: Mbaraki	140
Rent of Land: Mweza Creek	125
Expenses of Salvaged Goods and Ambergis	64
Payment to Railway in respect of Stand Premia and Rents	8,792
Telegrams	1,084
Purchase and Repairs of Typewriters	750
Expenses of Beer Ordinance	30
Expenses of Traffic Ordinance	30
Expenses of Census	2,323
Contribution to Publication of "Birds of Kenya and Uganda"	375

## APPENDIX 1—(Continued).

## SCHEDULE 5—(Continued).

Development of Civil Aviation	£1,877
Redemption of Old Currency	8
Safes and Cash Boxes	265
Contribution to Rowett Institute	762
Removal of Nairobi Race Course	60
Damage to Private Cars	50
Compensation in Bagishu Murder Trial	450
Trade Exhibition—Antwerp	92
Payment to Coode, Wilson and Vaughan, Engineers	479
Depreciation of Post Office Savings Bank Investments	11,874
Total Miscellaneous Services (General)	£74,887

## Statement B.

## CONTRIBUTIONS TO LOCAL GOVERNMENT AUTHORITIES

Nairobi Municipality	£
Contributions in lieu of Rates	11,174
Contributions in respect of—	
Main Roads	2,980
Public Health Staff	1,883
Public Health Services	1,215
Traffic Revenue	8,426
Municipal Staff	1,165
Diminishing Grant in respect of Public Health	1,163
Nakuru Municipality	9,415
Contributions in lieu of Rates	
Contributions in respect of—	
Main Roads	556
Public Health Staff	2,279
Public Health Services	1,625
Traffic Revenue	3,520
Municipal Staff	684
Diminishing Grant in respect of Public Health	1,823
Consolidated Grant to Nakuru Municipality	3,000
Consolidated Grant to Eldoret Municipality	3,000
District Councils	
Basic Road Grants	86,412
Township Roads	543
Vehicle Licence Fees	1,230
Extraordinary Expenditure	
Hospital Grant to Eldoret Municipality	1,808
Special Grant for Roads to Eldoret Municipality	250
Grant to Nairobi Municipality on account of Road Construction Grants to District Councils under Section 105 (1) (b) of Ordinance No. XXI of 1928	984
Total Expenditure	£101,751

## APPENDIX 1—(Continued).

## SCHEDULE 5—(Continued).

Administration ( <i>vide</i> Note No. 3, page 88)	£	196,788
Agriculture ( <i>vide</i> Note No. 4, page 89)		88,482
Education ( <i>vide</i> Note No. 5, page 89)		16,363
Medical ( <i>vide</i> Note No. 6, page 91)		73,268
Public Works Department ( <i>vide</i> Note No. 7, page 95)		253,594
		1,620,064
Add—Post Office and Telegraphs (less reimbursements from Uganda)		151,110
Total Indivisible Services (less reimbursements)		£1,771,18

## Statement A.

Miscellaneous Services Expenditure	£	
Maintenance of Landing Grounds		72
Subsidy to Imperial Airways		7,500
Commission and Fees to Bombay Agents		1,380
Commissions of Enquiry and Committees		530
Contingencies		400
Contribution to African Affairs Report		20
Contribution to Naval Entertainment Fund		150
Purchase of Cycle Discs		90
Expenses of Distinguished Visitors		23
Repairs to Duplicating Machines		228
Expenses of Film Censorship Board		70
Grant to East Africa and Uganda Natural History Society		300
Grant to Imperial Institute		2,306
Guarantee in respect of Nanyuki Branch Railway		7,850
Guarantee in respect of Thomson's Fall Branch Railway		9,700
Guarantee in respect of Kisumu-Yala Branch Railway		38
Insurance of Specie		224
Language Examination Expenses		10
Contribution to International Institute of African Languages, etc.		1,000
Contribution to Inter-Territorial Languages Committee		370
Management Expenses of Loans (less reimbursements)		50
Contribution to Mechanical Transport Committee		108
Burials of Destitute Persons		30
Postages		4
Preservation of Ancient Monuments		9,858
Refunds of Revenue		581
Commission, etc., on Remittances		14
Rent of Land: Mbaraki		128
Rent of Land: Mweza Creek		64
Expenses of Salvaged Goods and Ambergins		8,792
Payment to Railway in respect of Stand Premia and Rents		1,084
Telegrams		755
Purchase and Repairs of Typewriters		31
Expenses of Beer Ordinance		3
Expenses of Traffic Ordinance		2,323
Expenses of Census		375
Contribution to Publication of "Birds of Kenya and Uganda"		

## APPENDIX 1—(Continued).

## SCHEDULE 5—(Continued).

Development of Civil Aviation	£	1,877
Redemption of Old Currency		8
Safes and Cash Boxes		265
Contribution to Howett Institute		762
Removal of Nairobi Race Course		60
Damage to Private Cars		50
Compensation in Bagishu Murder Trial		450
Trade Exhibition—Antwerp		92
Payment to Coode, Wilson and Vaughan, Engineers		479
Depreciation of Post Office Savings Bank Investments		11,874
Total Miscellaneous Services (General)		£4,887

## Statement B.

## CONTRIBUTIONS TO LOCAL GOVERNMENT ACTIVITIES

Nairobi Municipality		
Contributions in lieu of Rates		11,154
Contributions in respect of—		
Main Roads		2,980
Public Health Staff		1,883
Public Health Services		1,218
Traffic Revenue		8,426
Municipal Staff		1,165
Diminishing Grant in respect of Public Health		1,163
Mombasa Municipality		9,418
Contributions in lieu of Rates		
Contributions in respect of—		
Main Roads		550
Public Health Staff		2,279
Public Health Services		1,625
Traffic Revenue		3,520
Municipal Staff		694
Diminishing Grant in respect of Public Health		1,823
Consolidated Grant to Nakuru Municipality		3,000
Consolidated Grant to Eldoret Municipality		3,000
District Councils		9,412
Basic Road Grants		543
Township Roads		2,290
Vehicle Licence Fees		
Extraordinary Expenditure		1,608
Hospital Grant to Eldoret Municipality		250
Special Grant for Roads to Eldoret Municipality		984
Grant to Nairobi Municipality on account of Road Construction		
Grants to District Councils under Section 108 (1) (b) of Ord. No. XXI of 1928		7,006
Total Expenditure		£101,751

## APPENDIX 1—(Continued).

## SCHEDULE 6.

## Expenditure on European Services.

Public Debt Charges ( <i>vide</i> Note No. 1, page 85)	£ 19,869
Rebate on Paraffin used for Agricultural Purposes	7,434
Repatriation	2,441
Maintenance of Destitute Persons	1,124
Contributions to Rural Libraries	500
Education ( <i>vide</i> Note No. 5, page 89)	49,600
Agricultural ( <i>vide</i> Note No. 4, page 89)	39,018
Medical ( <i>vide</i> Note No. 6, page 91)	24,520
Public Works Department ( <i>vide</i> Note No. 7, page 95)	24,480
European Widows' and Orphans' Pensions	* 1,500
Expenses of Widows' and Orphans' Pensions Scheme	650
<i>Total European Services</i>	<u>£ 171,224</u>

\* The European Widows' and Orphans' Pensions have been classified as European service because the revenue derived from European official contributions to the Widows' and Orphans' Pension Scheme, credited to general revenue, has also been classified in that category.

## SCHEDULE 7.

## Expenditure on Asiatic Services.

Rebate on Paraffin used for Agricultural Purposes	£ 2
Repatriation	2
Public Debt Charges ( <i>vide</i> Note No. 1, page 85)	4,100
Education ( <i>vide</i> Note No. 5, page 89)	41,180
Medical* ( <i>vide</i> Note No. 6, page 91)	460
Public Works Department ( <i>vide</i> Note No. 7, page 95)	
<i>Total Asiatic Services</i>	<u>£ 46,084</u>

\* The medical expenditure on Asiatics cannot be shown separately, as Asiatics share native hospitals and dispensaries and no record exists that would render a division of expenditure possible.

## SCHEDULE 8.

## Expenditure on Non-Native Indivisible Services.

Maintenance of Destitute Persons	£ 21
Local Government, Lands and Settlement Department	8,920
<i>Total Non-Native Indivisible Services</i>	<u>£ 8,941</u>

## APPENDIX 1—(Continued)

## SCHEDULE 9.

## Expenditure on Native Services.

Public Debt Charges ( <i>vide</i> Note No. 1, below)	£ 6,756
Repatriation	292
But and Poll Tax Exemptions	41
Wages of Bankrupt Contractors' Labour	1,957
Forest Department ( <i>vide</i> Note No. 2, page 87)	1,599
Native Affairs Department	5,445
Labour Department	3,506
Provincial Administration ( <i>vide</i> Note No. 3, page 88)	42,846
Agriculture ( <i>vide</i> Note No. 4, page 89)	38,389
Education ( <i>vide</i> Note No. 5, page 89)	77,722
Medical ( <i>vide</i> Note No. 6, page 91)	124,642
Public Works Department ( <i>vide</i> Note No. 7, page 95)	30,201
<i>Total Native Services</i>	<u>£ 331,956</u>

## SCHEDULES 5 to 9.

## Note No. 1.—Public Debt.

## (A) LOAN CAPITAL EXPENDITURE CLASSIFICATION.

## Summary.

	£	
General Indivisible Expenditure	16,253,371	
European Services	470,613	} <i>vide</i> details below.
Asiatic Services	56,795	
Arab Services	9,718	
Native Services	109,503	
<i>Total Public Debt</i>	<u>£ 16,900,000</u>	

## (B) LOAN ANNUAL CHARGES CLASSIFICATION OF EXPENDITURE.

General Indivisible Charges	£ 87,214	(excluding reimbursed items amounting to £ 773,552.)
European Services (a)	19,869	
Asiatic Services (b)	3,504	
Arab Services (c)	600	
Native Services (d)	6,756	
Reimbursed charges	773,552	
<i>Total Expenditure, 1931</i>	<u>£ 891,495</u>	

(a) The European Services are composed of the items detailed below and interest and sinking fund charges are calculated as follows:—

On Public Buildings expenditure totalling £ 230,613, interest at the rate of 5·17 per cent and sinking fund at 1 per cent per annum. The interest rate is the average rate payable on the 1927, 1928, and 1930 loans, plus charges covering expenses of issue and discount.

On Land Bank funds totalling £ 240,000, interest at 4·7 per cent for six months of 1931, the interest in this case being the actual interest payable on the 1930 loan, plus expenses of issue and discount.

## APPENDIX 1—(Continued).

## SCHEDULES 5 to 9—(Continued).

In connection with the Land Bank funds it should be noted that, although the Land Bank Ordinance permits the granting of loans to persons of any race, the £240,000 actually raised has been granted to Europeans (less administrative expenses) and for the purposes of this classification the whole of the charges on the full sum of £240,000 has been shown as a European Service. Natives and others benefit indirectly from these loan monies by increased employment, wages, etc.

The European recipients of the loans reimburse the Land Bank for the interest and the Government receives from the Land Bank the full interest charges incurred, but not the sinking fund charges (which will not be incurred by Government until 1934).

(b) The expenditure on Asiatic Services, amounting to £56,795, represents the cost of schools and a special extension to the Mathari Mental Hospital. The annual interest and sinking fund charges have been calculated at 5·17 per cent. and 1 per cent., respectively, as in the case of European expenditure on public buildings.

It should be noted that no part of the expenditure on native hospitals has been placed to the Asiatic account, although Asiatics are actually accommodated in the native hospitals.

(c) The Arab expenditure of £9,718 on a school at Mombasa involves annual charges, as above, of 5·17 per cent. interest and 1 per cent. sinking fund.

(d) The Native expenditure of £109,503 involves similar annual charges of 5·17 per cent. and 1 per cent. for interest and sinking fund, respectively.

## DETAILS OF LOAN CAPITAL EXPENDITURE.

## 1. General Indivisible Expenditure.

	£
1. Kilindini Harbour Works .. .. .	1,094,594
2. General Port Development, Mombasa .. .. .	1,200,000
3. Port Improvements .. .. .	99,542
4. Construction of Quays and Jetty .. .. .	695,388
5. Interest on Railway and Harbour Works during construction .. .. .	51,857
6. Interest on Kilindini Harbour Works and Usin Gishu Railway .. .. .	377,955
7. Construction of Usin Gishu Railway .. .. .	2,000,000
8. Purchase and reconditioning of Voi-Kahe Branch Railway .. .. .	100,000
9. Nyeri, Kitale, and Solai Branch Railways .. .. .	801,971
10. Railway Branch Lines .. .. .	313,000
11. Locomotives and Rolling Stock .. .. .	1,056,000
12. Railway Main Line Improvements and Equipment .. .. .	346,173
13. Site for New Railway Station, Mombasa .. .. .	54,989
14. Repayment to H.M. Treasury of Loans for Development .. .. .	1,103,912
15. " " to Revenue of Advances for Loan Expenditure .. .. .	600,000
16. " " of 1924 Loan raised for Railway Development .. .. .	3,280,467
17. Expenses of Issue and Discount of Loans raised .. .. .	942,753
18. Roads, Bridges, and Communications .. .. .	323,275
19. Water-supplies .. .. .	225,800
20. Loans to Local Authorities .. .. .	480,847
21. Housing for Government Services .. .. .	653,175
22. Maize-drying Installation .. .. .	10,743
23. Cold Storage .. .. .	11,300
24. Customs House, Mombasa .. .. .	23,627

## APPENDIX 1—(Continued).

## SCHEDULES 5 to 9—(Continued).

## 1. General Indivisible Expenditure—(Continued).

25. Offices at Kwale, Ngong, Rumuruti, Machakos, Eldoret, Nanyuki, Maseno, Narok, Kisumu .. .. .	£ 14,063
26. Nairobi Central Offices (£154,882 less £61,682 not yet raised) .. .. .	93,200
27. Nairobi Law Courts .. .. .	136,607
28. K.A.R. (Military) Lines .. .. .	80,454
29. Medical Store .. .. .	12,157
30. P.W.D. Buildings at Nakuru and Eldoret .. .. .	11,032
31. Medical Research Laboratory .. .. .	34,362
32. Unallocated Funds .. .. .	9,167
Total .. .. .	£16,253,371

## 2. European Services.

	£
1. Land Bank .. .. .	240,000
2. European Hospital, Kisumu .. .. .	6,612
3. Nairobi Schools .. .. .	38,241
4. Kabete School .. .. .	66,433
5. Nakuru School .. .. .	44,703
6. Eldoret School .. .. .	45,134
7. Kitale School .. .. .	29,490
Total .. .. .	£470,613

## 3. Asiatic Services.

	£
1. Mathari Mental Hospital .. .. .	3,350
2. Nairobi School .. .. .	53,445
Total .. .. .	£56,795

## 4. Arab Services.

1. Arab School, Mombasa .. .. .	£9,718
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## 5. Native Services.

	£
1. Native Hospitals .. .. .	*83,103
2. African Schools, Kabete .. .. .	26,400
Total .. .. .	£109,503

\* Asiatics are also accommodated in native hospitals but it is not possible to divide the expenditure on any equitable basis.

## Note No. 2.—Forestry.

1. Under Native Services the actual expenditure in the Native Reserves is included.

2. The rest of the department's expenditure is in the Crown forests outside the Native Reserves. The maintenance of the forests benefits all communities by the amelioration of the climate, the conservation and regularization of water-supplies, the prevention of erosion, and the guarantee of a sustained supply of all kinds of forest produce.



## APPENDIX 1—(Continued).

## SCHEDULES 5 to 9—(Continued).

3. About 50 per cent. of the Crown forests actually border Native Reserves but a far larger number of rivers flow from these forests than from the Crown forests bordering non-native lands. It might be said therefore that the preservation of the forests benefits the natives to an even greater extent than other communities. There are, of course, other forms of benefit such as the continuity of the supply of forest produce (which perhaps is more important to the European than to the native) and the permanence of a large field for remunerative employment, but it is not considered practicable to apportion the benefits of forest conservation between the different communities, and the main expenditure of the department is therefore shown under "Indivisible General Services."

## Note No. 3.—Administration.

The classification of Administrative Expenditure has been made on the following basis:

*General Staff.* This sub-head includes the salaries, travelling expenses and passages of all Administrative Officers, whether stationed within the Native Reserves or in other parts. It also includes the salaries of Cashiers and Clerks in District Offices, the salaries, allowances, and expenses of the Frontier Agent, Maji, H.M. Consul for Southern Abyssinia, the Liwali for the Coast, and miscellaneous items of expenditure that cannot be divided on any accurate basis. The whole of this expenditure (with the exception of the salaries of three Labour Officers) has been classified as "Indivisible General Expenditure."

*Native Affairs Department Headquarters.*—This section of the Native Affairs Department has been classified as a "Native Service." It is concerned wholly with native affairs and interests.

*Labour Section.*—The cost of this section, together with the salaries of the three Labour Officers, is shown as a "Native Service." The Labour Officers come into direct contact with native labourers and their whole time is devoted to the improvement of labour conditions and the protection of the interests of labourers.

*Local Government, Lands and Settlement.*—The whole of this section has been classified as a "Non-Native Service."

*Provincial Administration.*—The salaries of Chiefs and Headmen and Tribal Police have been classified as a "Native Service." The expenditure under "Rewards and Rations to Natives" and "Expenses of Tribal Police" has also been shown as a "Native Service." All other items, which cannot be classified accurately, have followed the classification of "General Staff" expenditure under "Indivisible General Services."

The item "Masai Agents" under the Masai Province has also been shown as a "Native Service."

The expenditure on reconditioning of the Kamasia Reserve in the Rift Valley Province has been classified as a "Native Service."

The salaries of Liwalis, Kathirs, Mudirs, and Tembo Supervisors, as well as allowances to ex-slaves in the Coast Province, are included as a "Native Service."

## APPENDIX 1—(Continued).

## SCHEDULES 5 to 9—(Continued).

*Kabete Reformatory.*—The whole of the expenditure on the Kabete Reformatory has been shown as a "Native Service." It is considered that the Reformatory should properly be regarded as a school of instruction, not as a prison.

## Note No. 4.—Agriculture.

The expenditure upon native services is based upon the actual known cost of the staff working in the native areas, plus the actual expenditure upon other services solely devoted to natives.

In regard to "Indivisible" expenditure in which differentiation cannot be made, the position is as follows:

*Headquarters Administrative Expenditure.*—This expenditure cannot be divided on any accurate basis.

*Locust Destruction* (£18,776).—The expenditure involved was in the general interests of the community as a whole and was incurred in the Native Reserves as well as in the settled areas and other districts.

*Scott Agricultural Laboratories* (£11,354) and *Plant Breeding Services* (£3,107).—These services are chiefly and directly related to crop improvement and protection, also soil conditions throughout the Colony.

*Veterinary Research* (£28,500).—This service has general application.

*Board of Agriculture* (£970).—The constitution and organization of the Board now being appointed embraces both native and non-native agriculture.

*Grading and Inspection, Grain Conditioning and Cool Stores (including Extension to Plants)* (£8,786).—These services, which are revenue-earning and for which the grower indirectly pays, apply to both native and non-native grown products.

*European Services.*—In view of the impossibility of allocating this item between European and Asiatic Services, the Director of Agriculture included it in Non-Native Indivisible Services, but owing to the small number of Asiatic cultivators and the small benefit that could therefore be derived by Asiatics, the Commissioner considers it would, on the whole, be fairest to transfer the Non-Native Agricultural Service into the schedule of expenditure on European Services.

## Note No. 5.—Education.

## I.

1. The figures submitted are the tables of expenditure on the particular services. Expenditure is accounted for separately under each division of the estimates. These divisions are:—

- i. Administration.
- ii. European Tuition.
- iii. European Boarding.
- iv. Indian and Goan.
- v. Arab and African.
- vi. Extraordinary.

2. All expenditure is posted in the departmental ledger first to the vote as a whole, and secondly to the individual service. The totals of the items of expenditure as posted to the individual services are the figures submitted in the return.

## APPENDIX 1—(Continued).

## SCHEDULES 5 to 9—(Continued).

3. Non-recurrent expenditure is voted in the estimates for Extraordinary expenditure as European, Indian, or African, as the case may be, and the figures submitted show the expenditure charged to the services.

4. Indivisible expenditure is expenditure on Administration and nothing else.

5. The total expenditure (£6,595) recorded against the following schools has been classified as an Asiatic service, viz.:-

Arab School, Mombasa.  
Coast Secondary School, Shimo-la-tewa  
Ali bin Salim School, Malindi

It is understood that the estimate of the cost of Arab education is on the generous side as it is not possible accurately to divide the cost between Arabs and Africans attending these schools.

## II

## REVENUE AND EXPENDITURE ON EUROPEAN AND INDIAN EDUCATION SERVICES, 1931.

	Revenue	
	European	Indian
Education Tax	£ 11,399	14,481
Wines and Spirits Consumption Tax*	21,396	5,961
Tuition fees	4,112	5,199
Boarding fees	12,436	1,000
Total	£ 49,343	26,641
Expenditure		
(a) chargeable to Education Service	£	£
Recurrent	49,191	34,100
Extraordinary	411	246
Total	£ 49,602	34,346
(b) not chargeable to Education Service	£	£
Housing	2,961	2,957
Pensions†	4,041	2,166
Loan charges	10,421	2,481
Total	£ 17,423	7,604

\*Consumption tax was merged in general import duty on 16th June, 1931. The figure given is the sum of the following amounts:-

(a) Consumption tax collected up to 16th June, 1931.

(b) Amount of import duty collected after 16th June, 1931, which would have been collected in consumption tax if that tax had remained in force.

† Estimated at 15 per cent in case of Europeans and at 10 per cent in case of Indians.

## APPENDIX 1—(Continued).

## SCHEDULES 5 to 9—(Continued)

## Note No. 6.—Medical.

1. Under the heading "Nature of the Service" certain abbreviations have been used to indicate services rendered, namely:-

N H	Native Hospital
E H	European Hospital.
M O	Medical Officer.
N S	European Nursing Sister
S I	Sanitary Inspector.
S A S	Sub-Assistant Surgeon.

2. Under the heading "Native Services" are included:-

(a) The actual costings of all native hospitals with their European, Asiatic, and Native staffs.

(b) Grants to Missions for maintenance of hospital beds for Africans.

(c) Grants-in-Aid to native maternity centres.

(d) Costings of that proportion of work performed at District Health Offices on account of native services.

(e) All expenditure on African child-welfare work.

(f) Capital grants to Missions for the erection of buildings in connexion with the Health Scheme for the hospitalization of the native services.

(g) Cost of medical stores for native services.

(h) Expenditure on training of Africans.

3. It has been found impossible, in the absence of exact data, to give any figure for expenditure on "Asiatic Services" apart from definite expenditure connected with dental services and grants to private hospitals in respect of Indian maternity and child-welfare. Other Asiatic expenditure is included under "Native Services" as Asiatics are treated at native hospitals both as in- and out-patients; separate costings do not exist. It is understood, however, that Asiatic services represent a small proportion of the total amount included in "Native Services".

4. Under the heading "Indivisible General Services" have been included:-

(a) Head Office (including Administration charges).

(b) Laboratory.

(c) School Medical Service.

(d) Charges in connexion with passages, leave salaries, etc., and fees and expenses of Medical Officers attending courses of instruction in England.

(e) Mathari Mental Hospital.

(f) Contributions to the Uganda Government in connexion with trypanosomiasis research, and contributions to the Sanitary Station, Zanzibar.

(g) Miscellaneous—telegrams, telephones, etc.

5. The cost of medical treatment and nursing expenses of Government officials treated in private hospitals or by private practitioners is included under the heading "European Services". This heading also includes a contribution to the Seamen's Hospital and capital contributions to certain hospitals in respect of maternity and child welfare.

APPENDIX 1—(Continued).

SCHEDULES 5 to 9—(Continued).

Classification of 1931 Expenditure, Medical Department.

Natives of the Service		Native Services.	European Services.	Asiatic Services.	Indivisible General.
<i>Uthmanya Province—</i>					
Tetta and Voi	Pop.	44,100	—	—	—
Kitui	..	140,807	—	—	—
Machakos	..	222,285	—	—	—
			£	£	£
			3,506	—	—
			2,351	—	—
			5,853	—	—
			11,710	—	—
<i>Coast Province—</i>					
Lamu	Pop.	16,462	—	—	—
Tana River	..	13,420	—	—	—
Digo	..	50,981	—	—	—
Mahindi	..	23,146	—	—	—
Kilifi	..	63,298	—	—	—
Mombasa	..	34,591	—	—	—
			£	£	£
			1,144	—	—
			3,850	—	—
			2,863	—	—
			14,605	5,092	—
			22,462	5,092	—
<i>Nzoia Province—</i>					
Nandi	Pop.	41,491	—	—	—
Elgeyo-Marakwet	..	34,768	—	—	—
Uasin-Gishu	..	20,661	—	—	—
Trans-Nzoia	..	24,140	—	—	—
			£	£	£
			518	—	—
			381	—	—
			4,058	1,220	—
			2,099	715	—
			7,056	1,935	—

Nyanza Province—		Native Services.	European Services.	Asiatic Services.	Indivisible General.
C.K. and Kisumu	Pop.	343,205	—	—	—
S. Kavirondo	..	312,226	—	—	—
N. Kavirondo	..	841,232	—	—	—
S. Lumbwa	..	92,525	—	—	—
			£	£	£
			14,909	2,767	—
			6,578	258	—
			7,002	19	—
			2,347	—	—
			30,836	3,044	—
<i>Kisumu Province—</i>					
North Nyeri	Pop.	7,775	—	—	—
South Nyeri	..	202,683	—	—	—
Meru	..	160,721	—	—	—
Fort Hall	..	182,278	—	—	—
Kiambu	..	93,060	—	—	—
Nairobi and Thika	..	67,710	—	—	—
			£	£	£
			3,540	288	—
			3,121	—	—
			2,675	23	—
			3,259	54	—
			6,137	13	—
			22,351	10,291	—
			41,083	10,669	—
<i>Rift Valley Province—</i>					
Baringo	Pop.	43,567	—	—	—
Nakuru	..	23,346	—	—	—
			£	£	£
			1,374	1,377	—
			3,651	—	—
			5,025	1,377	—
<i>Turkana Province—</i>					
West Suk	Pop.	24,805	—	—	—
North and South Turkana	..	53,511	—	—	—
			£	£	£
			2,696	—	—
			120,868	22,117	—

(11310)

**APPENDIX 1—(Continued)**  
 SCHEDULES 5 to 9—(Continued).  
**Classification of 1881 Expenditure, Medical Department—(Continued).**

Nature of the Service	Native Services	European Services.	Asiatic Services.	Indivisible General.
<i>Total brought forward</i>	£ 120,868	£ 22,117	£ —	£ —
<i>Maasi Province—</i>				
Pop.				
Kajiado .. .. .	50,402			
Narok .. .. .	1,299			
Naiyasha Province—				
Pop.				
Naiyasha .. .. .	29,630			
Laikipia .. .. .	40			
Northern Frontier Province .. .. .	2,435			
Pop. 80,000				
2 N.H., M.O., S.A.S.		2,410	460	73,268
<i>Expenditure—Miscellaneous items and General</i>				
<i>Grand Total</i>	£ 124,642	£ 24,527	£ 460	£ 73,268
				Total Expenditure 252,887

**APPENDIX 1 (Continued).**

## SCHEDULES 5 to 9—(Continued).

**Note No. 7.—Public Works.**

In view of the difficulty of classification, the following procedure has been adopted:

- (a) All trunk roads have been treated as "Indivisible General Services."  
 (b) Roads primarily serving European areas have been treated as "European Services."  
 (c) Roads primarily serving Native areas have been treated as "Native Services."  
 (d) Maintenance of all Government buildings and water-supplies have been classified as "Indivisible General Services."  
 (e) All expenditure on work in townships, including water-supplies, drains, roads, etc., are included in the "Indivisible General Services" column.

APPENDIX I—(Continued).  
SCHEDULES 5 to 9—(Continued).

Service	Native Services	European Services	Asiatic Services	Indivisible European and Native Services	Indivisible Services
Roads, Extraordinary	£ 486	£ 253	—	—	£ 1,200
" Recurrent	25,547	10,908	—	—	29,009
Buildings, Recurrent	—	—	—	—	26,484
" Extraordinary	458	2,786	75	—	17,491
Miscellaneous Town Plot Roads and Drains	—	—	—	—	1,605
Furniture, Recurrent	—	—	—	—	1,850
" Extraordinary	623	485	—	—	2,849
Workshops	—	—	—	—	235
Preliminary Invoice N.W.	—	—	—	—	184
Loss and Depreciation	—	—	—	—	588
Rents and House Allowances	—	—	—	—	65,826
Tools and Plant	783	877	—	—	3,283
Water-supplies and Drainage	—	—	—	—	5,786
Purchase of Mechanical Plant	—	—	—	—	295
Water-supplies	—	—	—	—	28,616
Transport	—	—	—	—	4,589
Hydrographic Survey	—	—	—	—	5,302
Water-boring	1,555	9,196	—	2,962	2,468
Technical Trainings, Africans	739	—	—	—	1,333
Timber Seasoning	—	—	—	—	1,867
Asian and African Housing	—	—	—	—	352
Overheads on services for other departments	—	—	—	—	3,582
Totals	30,201	24,485	75	2,962	253,594

Total Expenditure,  
£311,317.

(11310)

APPENDIX I—(Continued).  
SCHEDULE 10.

Racial Balance Sheet of Revenue and Expenditure in 1931.

REVENUE.		EXPENDITURE.	
	£		£
<i>Direct Taxation.</i>		European Services	171,247
Europeans	42,596	European and Native Services (Indivisible)	2,962
Asiatics	60,535	Asiatic Services	46,080
Natives	590,877	Non-Native Services	8,948
		Native Services	331,956
<i>Indirect Taxation.</i>		Indivisible Services	—
Europeans	334,477	Posts and Telegraphs	151,116
Asiatics	209,551	Other Votes	1,620,064
Natives	199,181		
Indivisible	2,345		
<i>Other Revenue.</i>			
Europeans	109,113		
Asiatics	55,704		
Natives	11,446		
Indivisible	1,936		
<i>Other Revenue.</i>			
Europeans	179,595		
Asiatics	59,868		
Natives	49,596		
Indivisible	—		
Posts and Telegraphs	168,132		
Other Heads	168,262		
	625,453		
<i>Total Receipts</i>	2,183,214		
<i>Reimbursements and Cross-entries</i>	983,716		
	£3,066,990		
<i>Deficit</i>	149,159		
	£3,216,089		

Total Expenditure...  
Reimbursements and Cross-entries

2,332,373  
883,716

## APPENDIX 1 (Continued).

## SCHEDULE 11.

## Statement of Reimbursements and Cross-entries appearing on both sides of 1931 Accounts.

	£
Share of Customs Department expenditure recovered from Uganda Government	16,084
Share of Coast Agency expenditure recovered from Uganda and Tanganyika Governments	2,078
Share of Treasury and Audit services recovered from Uganda Government and Currency Board, London	6,255
Share of Military expenditure recovered from Sudan Government	6,130
Police expenditure recovered from Railway and Port Administration	8,950
Share of Postal and Telegraph expenditure recovered from Uganda Government	38,166
Public Debt charges recovered from Railways and Harbours Administration and from Local Government Authorities	773,532
Share of Loan Management expenses recovered from Railway and Harbour Administration	1,578
Colonial Development Fund receipts and expenditure	30,923
<i>Total Reimbursements and Cross-entries</i>	<u>£883,716</u>

## APPENDIX 2.

## Note by Mr. A. Walter on Contributions to Revenue in Kenya by the Non-Native and Native Communities in 1931.

(Comparable with Appendix No. 26 to the Report of the Joint Select Committee on Closer Union in East Africa.)

1. The Commissioner of Customs has submitted a statement showing the estimated proportionate contribution of the European, Asiatic, and Native Communities to the Customs Revenue for 1931.

The resulting values are:—

	£	shs.	cents.
Europeans	17	15	0
Asiatics	3	10	0
Natives	1	35	

2. In considering these figures it must be understood that there are no direct means by which the contributions can be measured. The proportionings are, however, effected on a large number of articles by officers possessing a wide knowledge of local conditions. It is very improbable that errors will all tend in the same direction, and it may be expected, with a certain degree of confidence, that errors in excess or defect will compensate in the final average.

3. The results secured for the year 1926 have already been incorporated in Memoir No. 2 issued in Nairobi by this department. The text of this Memoir was published in Appendix 26 to the Report of the Joint Select Committee on Closer Union in East Africa, with the exception of the concluding paragraphs. These conclusions are now appended to this Note for the purposes of reference.

The values of Customs dues derived for that year per head of each community, were:—

	£	shs.	cents.
Europeans	30	12	0
Asiatics	4	15	0
Natives	1	26	

The figures of total taxation given in the Memoir under reference were:—

	£	shs.	cents.
Europeans	41	6	0
Asiatics	10	3	0
Natives	6	04	

4. The methods adopted in each year in deriving both Direct and Indirect Taxation Revenue are entirely similar, and the proportions are, in consequence, comparable.

In the conclusion to Memoir No. 2, which, as stated in the previous paragraph, was not included in the statements forwarded to the Joint Select Committee, the consistency of the Customs figures for Europeans and Asiatics was examined and a value of total *per capita* expenditure on imported articles derived, based on the *per capita* contribution to Customs Revenue. The value deduced was £136 per head.

## APPENDIX 1 (Continued).

## SCHEDULE 11.

## Statement of Reimbursements and Cross-entries appearing on both sides of 1931 Accounts.

	£
Share of Customs Department expenditure recovered from Uganda Government .. .. .	16,084
Share of Coast Agency expenditure recovered from Uganda and Tanganyika Governments .. .. .	2,078
Share of Treasury and Audit services recovered from Uganda Government and Currency Board, London .. .. .	6,255
Share of Military expenditure recovered from Sudan Government .. .. .	6,130
Police expenditure recovered from Railway and Port Administration .. .. .	8,950
Share of Postal and Telegraph expenditure recovered from Uganda Government .. .. .	38,166
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Share of Loan Management expenses recovered from Railway and Harbour Administration .. .. .	1,578
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<i>Total Reimbursements and Cross-entries</i> .. .. .	<u>£883,716</u>

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The resulting values are:—

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Asiatics .. .. .	3	10	0
Natives .. .. .	1	35	

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Asiatics .. .. .	4	15	0
Natives .. .. .	1	26	

The figures of total taxation given in the Memoir under reference were:—

	£	shs.	cents.
Europeans .. .. .	41	6	0
Asiatics .. .. .	10	3	0
Natives .. .. .	6	04	

4. The methods adopted in each year in deriving both Direct and Indirect Taxation Revenue are entirely similar, and the proportions are, in consequence, comparable.

In the conclusion to Memoir No. 2, which, as stated in the previous paragraph, was not included in the statements forwarded to the Joint Select Committee, the consistency of the Customs figures for Europeans and Asiatics was examined and a value of total *per capita* expenditure on imported articles derived, based on the *per capita* contribution to Customs Revenue. The value deduced was £136 per head.

## APPENDIX 2—(Continued).

The percentage change of contribution to Customs Revenue between 1926 and 1931 is as follows:—

European .. .. .	42 per cent. decrease
Asiatic .. .. .	27 per cent. decrease
Native .. .. .	7 per cent. increase

5. In the Memoir No. 2 under reference, it was pointed out that the proportion derived for the Europeans in 1926 was undoubtedly high, but that the special conditions obtaining in the East African territories made a high standard of living a characteristic feature of the conditions under which colonization had taken place up to that time.

6. Comparisons with similar results secured quite independently from Tanganyika, as well as an analysis of Uganda conditions, conducted on the same lines as that for Kenya, all pointed to the same conclusion—a high consumption of imported goods.

7. For purposes of reference, the results for 1926 derived from the three territories, are shown below. Separate values for Europeans and Asiatics are not available for Tanganyika.

## CONTRIBUTIONS TO CUSTOMS REVENUE.

	Kenya.		Uganda.		Tanganyika.	
	£	s. c.	£	s. c.	£	s. c.
Non-Natives .. .. .	10	5 0	10	0 0	16	1 0
Natives .. .. .		1 20		2 30		1 10

8. The reason for a high *per capita* contribution to Customs Revenue in the East African territories must be sought in the peculiar composition of the population in these undeveloped native countries, especially those countries unsuited to extensive European settlement. The lower and middle strata of European society are almost entirely missing in such communities, and the age frequency of the population becomes bunched up about the middle ages between 25 and 50 years. In other words, the frequency curve of ages bears all the characteristic features belonging to an immigrant population.

9. The more undeveloped the country and the more unsuited to European settlement, the greater the preponderance of highly-remunerated officials and managers, and the smaller the number of persons in the lower European ranks and lower ages. As the country develops, especially if its climatic conditions are suitable for European settlement, families are created, the age frequency curve is modified by the inclusion of young people, a demand arises for the employment of less-highly-paid employees of the artisan and clerical classes, the *per capita* standard of living is lowered, and the demand for imported articles decreases. Local industries develop, wherever possible, in order to supply the demands of the increased numbers in the lower strata of society, and this still further reduces the demand for imported goods.

10. In Kenya, a country in which European settlement has become established and in which European families have always been able to accompany both settlers and officials, the age distribution has not been markedly affected since 1911, the proportion in each ten-year group having remained practically constant. The ratio between the numbers working as employer, employee,

## APPENDIX 2—(Continued).

own account, and no occupation have, however, been seriously modified, especially since 1926, and it appears evident that the rapid increase in the population by migration during this period affected principally the lower-salaried class who entered the Colony in search of employment as the demand for this class increased very rapidly. So much so, in fact, that it is now possible to staff practically all the lower ranks from locally-recruited young men and women.

11. The decrease in the contribution to Customs Revenue since 1926, which the 1931 values reveal, is partly explained by this change in the composition of the population, the extent of which change is indicated in the accompanying table:—

## NATURE OF EMPLOYMENT OF THE EUROPEAN POPULATION.

Census year.	Dependants.	Employers.	Employees.	Own Account.
1926 .. .. .	6,123	1,036	4,091	1,279
1931 .. .. .	8,288	768	6,267	1,489
Percentage increase or decrease in 1931 on 1926.				
	+35	-26	+53	+16

12. The "dependants" and "employees" jointly have increased 43 per cent., and the "employers" and "own account" have decreased 3 per cent. This alteration in the occupational composition of the population must inevitably lower the *per capita* income and, in consequence, the *per capita* demand for imported goods—a change which is a natural consequence of the permanent colonization of the country.

13. Other changes in the composition of the population have also to be taken into consideration. From the 1926 and 1931 Census returns it appears that the male age-group 20 to 55 has only increased 29 per cent., whereas, the other ages have increased 36 per cent. The total female population increased 40 per cent. and the total male population 30 per cent. A further change which may have modified the demand for imported goods is to be found in the increase among persons born in Kenya in relation to those born out of Kenya. The former increased by 41 per cent., while the latter only shows an increase of 33 per cent. Tables illustrating these changes will be published in the report on the 1931 census.

14. Super-imposed on these perfectly normal changes in the composition of the population, the period 1928 to 1931 has had to suffer a very serious decrease in the purchasing power of all non-native communities as a result of the world economic depression. A reference to the measures of the changes in economic factors, which are revealed by the Bank statistics, as well as the



## APPENDIX 2.—(Continued).

price-level values of local produce in Kenya, will indicate how serious this decrease has been. The price-level index numbers are summarised in the following table:—

INDEX NUMBERS OF THE PRICE OF KENYA PRODUCE,  
1926 TO 1931.

Year.	On local market.		On export market.*		
	Grocery Group.	Coffee.	Sisal.		Maize.
			1st Grade.	2nd Grade.	
1926 .. ..	1,049	1,052	—	—	—
1927 .. ..	1,024	1,000	—	—	—
1928 .. ..	1,043	973	1,000	1,000	1,000
1929 .. ..	986	970	1,089	1,081	1,015
1930 .. ..	899	703	758	752	696
1931 .. ..	785	642	428	415	500

\* On 1928 as base.

15. As the Customs duties are in part *ad valorem* duties, the marked fall in the price level of imported goods is naturally reflected in the Customs Revenue. The extent of the fall in price level of imported articles for Customs purposes should be measured by the fall in price in the exporting country, rather than the fall in price as shown in the Nairobi returns. The wholesale-price levels, according to the Bulletin of the League of Nations, decreased in the United Kingdom 31 per cent. between 1924 and 1931.

16. Although the 1931 conditions are decidedly abnormal, in so far as they are the result of the world economic depression, it is unlikely that the *per capita* contribution will ever return to the 1926 value, as the change in the composition of the population is a permanent one. Moreover, as any population increases from very small numbers, the *per capita* results may be expected to decrease, although the global values of each community may, and probably will, increase.

17. The global contributions to Taxation Revenue in Kenya are shown below for 1926 and 1931, distinguishing Customs from all other Taxation, and showing the total Taxation Revenue as adopted in 1926:—

CUSTOMS REVENUE (to nearest £100).

Year.	Europeans.	Asiatics.	Natives.	Total.
1926 .. ..	383,400	195,400	138,500	717,300
1931 .. ..	296,600	198,800	196,900	692,300
Increase or decrease in 1931 over 1926 ..	-84,800	+3,400	+40,300	-41,100
OTHER TAXATION.				
1926 .. ..	172,700	95,000	611,300	879,000
1931 .. ..	187,600	126,900	542,700	857,200
Increase or decrease in 1931 over 1926 ..	+14,900	+31,900	-68,600	-21,900
COMBINED CUSTOMS AND OTHER TAXATION.				
1926 .. ..	556,100	290,400	769,800	1,616,300
1931 .. ..	486,200	325,700	741,500	1,553,400
Increase or decrease in 1931 over 1926 ..	-69,900	+35,300	-28,300	-62,900

## APPENDIX 2.—(Continued).

18. The 1926 global figures of Customs taxation, for all communities, are those derived by multiplying the adopted *per capita* values for 1926 by the population of the Census year 1926, to which the figures refer. This should be read in conjunction with paragraphs 20-27, page 186, of Appendix 26, and Schedule VI (5), page 211, of Appendix 26, of the Report of the Joint Committee, and the figures contained in Schedule II, page 191, of the same Appendix.

19. In regard to the total annual expenditure per European, which the *per capita* contribution implies, the conclusions of Memoir No. 2 appended to this Note, should be considered. There is further reason to believe that the amounts spent in Kenya by wealthy visitors are larger than was anticipated in that Memoir, and that this fact will explain in part, the conclusion that "Even after taking these factors into consideration the value of the European contribution still appears high."

20. In the Treasury Statement of Revenue and Expenditure the following classification has been adopted for Direct and Indirect Taxation Revenue:—

Direct.	Indirect.
Native hut and poll tax.	Customs duties.
Non-native poll tax.	Petrol consumption tax.
European education tax.	Wines and spirits consumption tax.
Estate duty.	Beer excise.

For the purpose of establishing comparison with the 1926 figures supplied to the Joint Select Committee, the following items of Revenue have been included in Taxation Revenue:—

Motor traffic licences.
Road transport licences.
Game licences.
Native registration.
Explosives and gun licences.
Liquor licences.
Miscellaneous licences.
Coffee licences.
Registration of documents.
Stamp duties.
Cattle trading licences.
Traders' licences.
Registrar-General's office fees.
Registration of companies.
Registration of inventions.
Copyrighting fees.
Market and cattle pound fees.
Miscellaneous.
Fees for licences to exhibit films.

21. In view of the classification adopted in the Treasury Statement, the total contributions are here shown under four heads for 1931:—

Direct Taxation as adopted by the Treasury.
Indirect Taxation distinguishing Customs.
Other Taxation.
Other Revenue.

## APPENDIX 2.—(Continued).

The final values of Revenue under these heads from all sources for the year 1931 are as follows:—

	European.	Asiatic.	Native.	Total.
1. Direct Taxation ..	£42,596	£60,535	£530,877	£634,008
2. Total Indirect Taxation*	334,477	209,551	199,181	743,209
3. Other Taxation ..	109,113	55,704	11,446	176,263
4. Other Revenue ..	179,595	59,868	49,596	289,059
	£665,781	£385,658	£791,100	£1,842,539
Unallocated Posts and Telegraphs ..				168,132
Unallocated Miscellaneous ..				172,543
Reimbursements ..				883,716
<b>Total Revenue</b> ..				<b>£3,066,930</b>

22. The total Taxation Revenue, as distinguished from other Miscellaneous Revenue for 1931, is:—

Europeans.	Asiatics.	Natives.	Total.
£486,186	£325,790	£741,504	£1,553,480

or under the two main racial classifications:—

	£
Non-Native ..	811,976
Native ..	741,504

The population totals on which the 1931 yields depend are:—

	£
European ..	16,812
Asiatic ..	58,133
Native ..	2,950,000
<b>Total Population</b> ..	<b>£3,024,945</b>

23. The *per capita* contribution to Taxation Revenue, as given in the returns for 1926, and incorporated in Memor No. 2 (a copy of which was submitted to the Joint Select Committee), is compared with the 1931 figures as follows:—

	1926.	1931.	1926.	1931.
	Shs.	Shs.	£ s.	£ s.
European ..	823.60	578.38	41 4	28 18
Asiatic ..	188.98	112.08	9 9	5 12
Native ..	5.75	5.03	5 75	5 03

The decrease of £13 is entirely in the Customs Revenue. The causes of the diminished yield from this source have been explained in previous paragraphs.

A. WALTER.

Statistician.

Conference of East African Governors.

	European.	Asiatic.	Native.	Total.
* Customs Taxation ..	£298,582	£198,844	£198,813	£696,239
Other Indirect Taxation ..	35,895	10,707	368	46,970
	£334,477	£209,551	£199,181	£743,209

## APPENDIX 2.—(Continued).

CONCLUSION TO MEMOIR NO. 2, THE TEXT OF WHICH WAS PUBLISHED AS APPENDIX 26 TO THE REPORT OF THE JOINT SELECT COMMITTEE ON CLOSER UNION IN EAST AFRICA.

An examination of the foregoing analysis, leading up to the final adopted values of Taxation Revenue per head for the three main community classifications, suggests the questions:—(1) Are these results consistent? (2) Do they represent a correct perspective of the relative communal contributions to Revenue?

The further questions as to "whether the distribution of the burden of taxation on each community is a just one" and "whether the incidence on the individuals forming the different social strata of each community is equitable," although they are certainly problems of grave importance to the economic life of the Colony, are not strictly relevant to the subject matter of this Memoir.

The direct taxation values cannot be doubted. It remains in consequence to test the Customs figures for consistency and it is proposed to examine them for the European community. If they can be justified in this case, the remaining two values cannot be seriously modified. The only element of doubt which can exist is that the European figure is too high in relation to the other two. The mean of the three years for the European is:—

Shs. 553	} or Shs. 612.
Shs. 594	
Shs. 690	

This value represents an expenditure of £153 per head on dutiable articles or services exclusive of Customs Dues or Transport Charges. The Customs dues amount to 20 per cent. on the average and transport to about 10 per cent. This increases the expenditure in round figures to £200 per head. From the tables of proportions it can be estimated that about 15 per cent. of the Revenue goes to make up the industrial dutiable articles and others which do not enter into the direct personal expenditure of the community, thus leaving about £170 per head on the average to be spent in this manner. At first sight, this certainly appears to be a high figure. Examining the items which compose it, however, reveals the fact that they comprise charges which, although they appear as *per capita* charges, are in reality community charges. Some of these may be enumerated as follows:—

(a) Visitors spend considerable sums on dutiable articles and on services which require dutiable articles.

(b) They do not appear in the population returns.

(c) Clubs and hotels are large consumers of dutiable articles.

Twenty per cent. may safely be deducted from the above value for such expenditure, leaving about £136 as personal expenditure on dutiable articles and services per head.

In addition to these community charges, there are very considerable charges for motor transport, and the number of cars for individual use is unusually high. Costs for petrol, car purchase, parts, etc., constitute one of the heaviest charges on the personal budget.

## APPENDIX 2.—(Continued).

Several typical family groups have been asked to split up their expenditure between local services and dutiable services. The imported items which go to make up the latter are more considerable than would be supposed at first sight.

Transport (car purchase or depreciation, spares, petrol, oil, etc.).  
Clothing.  
Household linen.  
Household utensils.  
Imported groceries.  
Drugs.  
Sports material.  
Tobacco.  
Alcoholic liquors.

Taking all these items into consideration on a very conservative scale for a family group of seven adults and one child, the annual expenditure per head on imported articles worked out at £156 a year. Most of the expenditure items included had been calculated inclusive of local services for distribution, etc. Allowing 20 per cent. for those items for which this allowance had not been made reduces this value to £125 a year per head as compared with the £136 per head deduced from the Customs figures.

In considering this value, two characteristics of the population of Kenya should be kept in mind:—(1) the standard of living in Kenya is high and the stage of the poor white settler has not yet been reached to any considerable extent; (2) the age-frequency curve shows all the characteristics of an immigrant population with predominance of numbers in adult ages; (3) the proportion of persons in comfortable circumstances is much greater than in long-established communities with wide differences between the social strata; (4) the average monthly salary of Government European officials works out at £43.6.

The differentiation between the various units composing the non-European community is not insisted upon and was abandoned in 1926 and 1927. No comparison should in consequence be made between Indians, Goans, Somalis, Arabs, etc.

Even after taking these factors into consideration, the value of the European contribution still appears high in comparison with the Asiatic contribution, but there is little evidence to show that the contribution to indirect taxation on the part of the native is much in error.

Some further measure of non-native (European and Asiatic) expenditure will be found in the Bank statistics which will shortly be published. These indicate that the *per capita* expenditure is certainly higher than that of most European communities and it seems probable that the reasons adduced above are not without some foundation in fact.

There is at present no direct means of ascertaining whether the total expenditure for the European population to which this figure leads is consistent or not. Measured by standards of European countries it is undoubtedly high, but the circumstances are quite as undoubtedly different. The Europeans in Kenya are, on the whole, a selected community.

Collateral statistics may, however, be helpful as a guide, and reference to the Bank returns shows that for the whole population drawings by cheque on Kenya Banks (Total Debit Transactions) amount to nearly £200,000 a day—over £70,000,000 a year—while deposits on current account exceed £3,000,000. These figures refer to the non-native communities almost exclusively.

A. WALTER,  
Statistician,  
Conference of East African Governors.

## APPENDIX 3.

## Native Cash Resources.

## No. 1. NANDI.

1. The Nandi appear to derive their taxes mainly from the following sources:—

- (a) Wages.
- (b) Sale of cattle, sheep, and goats.
- (c) Sale of honey.

2. Wages for unskilled labour have dropped during the last four years approximately from Shs. 14 per month to Shs. 8 per month and, employment obtainable being considerably less, more tax is now derived from (b).

3. Enquiries made from traders and natives, together, result in the following prices being agreed upon:—

	1928. Shs.	1932. Shs.
Large oxen .. .. .	45 to 65	20 to 30
Cows and large heifers .. .. .	75 to 80	25 to 45
Cows with calves .. .. .	90 to 120	40 to 65
Heifers, small .. .. .	40 to 60	25 to 30
Young bulls .. .. .	20 to 25	10 to 15
Goats and sheep, large .. .. .	8 to 14	4 to 6
Goats and sheep, small .. .. .	6 to 10	2 to 4
Fowls .. .. .	75 cents. to Sh. 1	25 to 50 cents.

Hides, sun-dried, are selling at approx. Shs. 4 per frasila, shade-dried, at from Shs. 11 to Shs. 12.

Prices in 1928 were approximately double.

The prices quoted for stock are for rinderpest-immune animals, and may be reduced by approximately 10 per cent. for non-immune. Cost of immunization is Shs. 2.50, plus the risk of loss during immunization.

4. Honey is sold in relatively large quantities, and the relative prices quoted to me are:—

1928.	1932.
Shs. 18 to Shs. 20 for 50 lb.	Shs. 6 to Shs. 7 for 50 lb.

5. Practically no grain is sold, except between members of the tribe. It is the Nandi custom after a good harvest to fill their stores, and "lay off" cultivation for one season or more.

K. L. HUNTER,  
District Commissioner, Nandi.

## APPENDIX 3—(Continued).

## No. 2. ELGEYO.

1. Although the export of food-stuffs has been prohibited for years past, a certain amount is exchanged between Elgeyo tribes and their neighbours across the Kerio River, e.g., mtama exported and meat and milk imported. Furthermore the Somali traders at Marakwet buy maize to grind it, and resell it later in the form of posho.

## COMPARISON OF PRICES IN 1929 AND 1932.

	1929. Shs.	1932. Shs.
(a) Cattle (male stock A.M. branded)	45 to 75	15 to 35
Sheep and Goats	6 to 10	1 to 4
(b) Wimbi (per bag)	12	6
Maize (per debbi) Elgeyo	3	1
(per bag) Marakwet	9	3
(c) Hides (each)	3 to 6	No sale
Goat skins (each)	1 to 2	"
Leopard skins (average)	30	"
Honey (per pot)	6	1 to 2
Bee-wax (per lb.)	1	75
Tobacco (per 6 lb.)	16	2
Blacksmithery (sundry articles for local consumption)	—	half-price
(d) Work (on farms)	per mensem 8 to 16	5 to 6
(on Railway)	16	10

2. This District, too, suffered from food-shortage in 1928-29, owing to the depredations of locusts, and again during 1931. District Headquarters (Tambach) are 29 miles from railhead (Eldoret).

3. There is a strong demand for hand-mills for grinding maize but although the prices quoted lately are extremely reasonable they remain beyond the financial capacity of the would-be purchasers. The few which were purchased and distributed to the maize-growing centres by the Local Native Council a year or two ago are now almost worn out, owing to incessant usage.

4. There is to-day a constant cry on the part of natives that Government should help to find them work. Last year, too, natives who went out seeking work were compelled to return home empty-handed even after three or four excursions. During the course of my present safari in Southern Elgeyo when discussing tax prospects, etc., I have been repeatedly asked to help by finding work, especially for those who have no stock to sell and therefore no other means of raising the cash with which to pay their hut tax for 1932.

J. G. HAMILTON-ROSS,  
District Commissioner.

## No. 3. MWIMBI AND CHUKA.

1. Money for hut tax is normally obtained by the Mwimbi and Chuka from the following sources. They are given in the order of their importance from the point of view of their money-producing capacities:—

- Labour for non-natives outside the Reserve.
- Sale of goats,
- Sale of pigeon pea,
- Sale of tobacco,
- Sale of njahi,
- Sale of maize,
- Sale of ghee.

## APPENDIX 3—(Continued).

2. With regard to (a) this is the most important tax-producing means in a normal year, since not only does it account for the direct tax paid by the labourer for himself and his dependants, but indirectly also, by bringing a surplus of money into the Reserve, it allows those who do not seek labour outside it to obtain money to pay their taxes by the sale of the normal increase of stock and the products of their work in the Reserve.

This year, owing to the financial depression, the demand by settlers for African labour is very much decreased. Large numbers of men have left this district in search of work and at least 75 per cent. of them have returned without finding it.

Rates of wages have dropped by as much as Shs.4 to Shs.6 for a 30-day-month's work for an unskilled labourer.

It is probable that the amount of money entering the Reserve at present from this source is not more than one-eighth of the normal.

3. With regard to (b), the price obtainable for a goat is now Shs.6 to Shs.8 as against Shs. 15 to Shs.20 in a good year. Many Mwimbi and Chuka will certainly have to dispose of more than the normal increase to obtain their tax this year. In fact, their taxes will be paid from capital.

The price of goats will certainly decrease still further when the Kikuyu market is glutted by goats brought by the Akamba in search of tax-money.

4. Pigeon pea is the most paying of the Mwimbi crops and in a normal year Shs.7 is obtainable for a load of it. Now possibly Shs.3 could be obtained. In any case this source of tax-money is practically valueless this year since most of the pigeon pea was destroyed by locusts.

5. To a man skilled in the preparation of good snuff, tobacco is a lucrative crop in a normal year. Now, however, the mass of the population is so poor that the demand has fallen away to such an extent that a dram of snuff which, normally would fetch Shs.30 in one day will now fetch only Shs.15, sold in small quantities over a period of three months. Leaf tobacco has depreciated in value about 75 per cent.

6. Njahi is of little money-producing value this year; the crop obtained was very small, the plants failing to seed as a result of some undiagnosed condition, and the price of a load in Mwimbi and Chuka is about Shs.2 as against Shs.7 in normal times.

7. Maize is very little grown in Chuka and Mwimbi for export, since there is no market for it, the cost of transport from Chuka to the railway being prohibitive.

8. Some of the Lower Chuka depend on the sale of ghee for their tax-money. There is now no demand for it.

9. It will be seen from the foregoing that all the usual means at the disposal of the Chuka and Mwimbi of obtaining money for tax have become so meagre that the chance of their paying in full within the year is slight. It is noteworthy that, even in a normal year, the distance from a market for their crops makes the natives of these areas practically dependent for their tax on the labour of the young men outside the Reserve; the crops produced are redistributed in the areas themselves, most of the sale being to natives of the areas who have returned from work with a surplus amount of cash. Apart from this, most of the money obtained is from the sale of native luxuries, such as tobacco, and a few foodstuffs, such as pigeon pea, either directly by safari to Masai, Ukamba

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## APPENDIX 3.—(Continued).

and the Northern Frontier, or indirectly, through Kikuyu middlemen, who again sell to Indian middlemen, the actual producer getting very little for his trouble.

H. E. LAMBERT,  
District Commissioner, Embu.

## No. 4. MASAI.

The commodities upon which the Masai mainly depend for the payment of their taxes are the following—

	Year.	Price per frasila	Price per frasila
		at Narok.	at Kajjado.
		Shs	Shs
I. Hides	1928	30	32
	1932	6	7

The total export of hides from the Province in 1928 was approximately 550 tons.

	Year.	Price per head	Price per head
		at Narok.	at Kajjado.
		Shs	Shs.
II Slaughter cattle	1928	35	55
	1932	20	30
III Sheep	1928	6	7
	1932	3	4
		Per frasila.	
IV Ghee	1928	55	60
	1932	25	25

The Masai have large reserves of livestock and the drop in prices has been of indirect benefit by causing increased sales of surplus cattle and thus reducing overstocking.

G. E. DECK,  
Provincial Commissioner.

## No 5. COAST PROVINCE.

## Prices of Native Commodities.

(Forwarded by Provincial Commissioner.)

	1928		1929		1930.		1931.		April 1932
	H	L	H	L	H	L	H	L	
	Shs.	Shs	Shs	Shs.	Shs.	Shs	Shs	Shs.	Shs.
Simsim, gisila	74	50	57	35	37	29	37	26	36
Pojo, ..	80	35	80	40	41	28	40	20	30
Kundi, ..	65	40	65	24	45	29	40	16	27
Mtama, ..	40	28	55	24	30	20	30	14	25
Maize, ..	32	12	40	16	20	14	24	10.50	20
Hides, frasila	42.50	24.50	28	12	14.50	8.50	11.50	4	4
Copra, ..	7.25	5.90	6.20	4.50	5.65	3	3.60	2.25	2.75
Ghee, ..	—	—	—	—	40	26	30	22	29

Note—H. represents Highest; L. represents Lowest.

## APPENDIX 4.

## Outline of Uniform Adult Male Native Poll-Tax.

- The tax shall be payable at the rate of Shs.6 per year by all male natives of the apparent age of 16 years and upwards, except those exempted by a District Officer on the grounds of poverty and inability to pay.
- The tax shall be collected by means of stamps to be affixed to the back of the registration certificate. In cases of exemption the certificate shall be suitably endorsed by the District Officer, who will also inform the Chief Registrar of Natives.
- Tax stamps shall be on sale at any Office of a District Administration. They will also be issued on payment of tax by the officer engaged in collecting the tax. A list of those to whom stamps have been issued with the numbers of their registration certificates shall be kept in duplicate by each issuing officer, and one copy shall in due course be sent to the Chief Registrar of Natives. Stamps shall be affixed in the presence of the issuing officer or his deputy in any district where the taxpayer can most conveniently pay his tax, and shall be cancelled at the time of issue by an indelible mark to shew year of payment. It is a matter for consideration whether post offices should also be charged with the duty of issuing and cancelling tax stamps.
- A statutory obligation shall be imposed on employers on the payment of wages to see that stamps are affixed in each case, under regulations to be issued.
- The Chief Registrar of Natives will enter payment of taxes in his card records, and will from time to time inform District Commissioners as to those taxpayers in default.

## APPENDIX 5.

## Outline of Native Livestock Tax.

Livestock tax shall be imposed per head of cattle, sheep, and goats, at a money-rate per head to be fixed by the Governor-in-Council, and to be variable as between districts and from year to year. In fixing the rate, account shall be taken of current prices.

Owners of less than a statutory number of cattle, sheep, and goats, shall be exempt from payment of tax. The statutory number of tax-free livestock shall be higher in the pastoral districts than in the agricultural areas, and shall in both cases be fixed with the object of exempting from taxation that amount of stock which is needed to provide food for an average family. Tax shall be levied only on that number of stock which is above the exemption limit. Young and immature animals shall also be exempt. For the purpose of deciding as to liability to tax, five sheep or five goats shall be considered equal to one head of cattle.

## APPENDIX 6.

## Outline of Native Cultivation Tax.

1. The tax shall be based on the value of the crops estimated to be produced from the land in an average year. The rate of tax shall be levied as a percentage of the valuation and shall be variable as between Local Native Council Districts and from year to year. The rates shall be fixed annually by the Governor-in-Council.
2. The estimated yield of each taxation unit shall be assessed by the District Officer advised by an Assessment Board consisting of the Headman with the help of native assessors. For the assessment of yield one or both of two methods shall be applied—first, a general survey of the taxation unit, the probable yield of each crop then being computed according to soil and average experience—second, computation of yield of various crops on sample holdings, the resulting figures being taken to represent the average and multiplied according to the number of cultivators in the taxation unit. Having arrived at the estimated yield of each crop, valuation shall be made on the basis of market prices ruling in each District.
3. When the computation of yield on sample holdings has been made and a *per capita* average has been established, it is most important to withhold from the native Headmen any information as to the *per capita* average thus established, as otherwise on Nigerian experience it is found that Headmen and taxpayers are apt to take this average as a flat rate thereby destroying the distinction between a cultivation tax graded according to ability to pay and a flat poll-tax. On the subject of differentiation between individual taxpayers, the Lieutenant-Governor of Southern Nigeria has stated :—  
 "It should be borne in mind that among the most primitive communities it is customary for contributions to be made by members of a family for some general family purpose, festivals, the building of a family house, and the like, and such contributions are by native custom graded in accordance with ability to contribute, and the same applies to larger social units. Grading of ability to pay is no new thing to the African native."
4. Variations in percentage rate of tax to be levied shall be based *inter alia* on variations of price from the price levels on which valuations were originally made.
5. The tax payable to the Government shall be fixed as a percentage of the total valuation. In the Sudan it is collected at the rate of 10 per cent. and in Nigeria at 2½ per cent. In the Sudan, however, the valuation is made yearly for each cultivation unit on the basis of local prices, whereas in Nigeria revaluation takes place at rare intervals, and the tax is adapted to capacity by varying the annual percentage of tax.
6. Assessment Boards shall be responsible for detailed allocation of the tax within each unit among cultivators in proportion to their estimated output, but an appeal to the Local Native Tribunal and finally to the District Officer shall be provided in cases of dispute.
7. Native Council rates might be collected on the same valuation and at the same time as the Government tax. They might be levied as a percentage surcharge to be paid over to the Local Native Council.

## APPENDIX 6.—(Continued).

8. It shall be the duty of employers to send valuations of squatters' holdings and livestock to the District Officer, who shall satisfy himself that they are reasonable. Employers shall be under statutory obligation to pay the cultivation and livestock taxes and to recover from the squatter by deduction from wages.
9. The tax shall be collected by the Native Assessment Boards, and, to prevent over-charging and speculation, District Officers shall issue to such Boards sheets of one shilling tax-receipts to the total value of the tax and local rates to be collected. Such tax receipts shall be issued to the cultivators by the Assessment Boards in varying numbers against the payment of tax. They shall be cancelled at the time of issue by a rubber year-stamp. A percentage of the tax collected might be allowed as remuneration to each Assessment Board.
10. Livestock tax may be merged in the cultivation tax as in Nigeria.

## APPENDIX 7.

## Finance of Native Betterment Fund.

In order to make a clear distinction between expenditure to be borne on the general budget and that to be financed by the Native Betterment Fund, the following procedure is suggested :—

- (a) That no part of Head Office Administration charges be paid from the Native Betterment Fund.
- (b) That cash emoluments and expenses of agricultural officers working wholly in Native Reserves be included in the Native Betterment Fund and excluded from the general budget.
- (c) That the cash emoluments and expenses of Education Officers and Inspectors attached to native schools be included in the Native Betterment Fund and excluded from the general budget.
- (d) That the cash emoluments and expenses of Medical Officers in charge of native hospitals and those stationed in Native Reserves be included in the Native Betterment Fund and excluded from the general budget.
- (e) That expenditure on roads and bridges within the Native Reserves, which may be regarded as primarily of native benefit, be included in the Native Betterment Fund and excluded from the general budget.
- (f) That the cost of all reliefs, pensions, leave pay, and passages be borne on the general budget.
- (g) That the cost of medical and other stores issued to hospitals, schools, etc., from Government main stores be recovered from the Native Betterment Fund and brought to account as revenue in the general budget.
- (h) Generally, that expenditure from the Native Betterment Fund should be confined to direct services and that all indirect expenditure should be met from general revenue towards which the native community contributes.

APPENDIX 8.

Table of Revenue and Expenditure of Local Native Councils in 1931.

Province and Council.	Revenue			Expenditure (including expenditure on building).						Surplus balance in hand at end of 1931.	
	Rates.	Land.		Education.	Medical.	Agricultural, Veterinary and Forestry.	Roads and bridges.	Water supplies.	Famine relief.		Other.
		Rents, fees, etc.	£								
<i>Coast.</i>	£	£	£	£	£	£	£	£	£	£	£
Digo	620	282	304	180	310	313	216	100	216	216	2,208
Giriama	719	753	781	213	241	182	881	—	298	3,641	
Teita	1,042	142	1,440	164	99	132	5	—	151	4,441	
<i>Nyanza.</i>											
North Kavirondo	9,528	929	7,006	1,084	1,149	2,500	—	—	—	—	18,386
Central Kavirondo	4,245	415	739	1,605	487	1,331	10	—	1,818	1,281	13,023
S. Kavirondo (K-B)	2,656	448	240	211	115	475	623	—	—	803	7,087
S. Kavirondo (L-A)	2,090	949	224	500	357	209	524	—	—	1,061	7,298
South Lumbwa	—	420	101	440	56	347	—	214	116	—	2,306
<i>Nzoua</i>											
Nandi	594	704	312	284	709	428	2	—	—	1,370*	3,819
Elgeyo	—	900	283	79	254	3	—	62	374	4,329	
Marakwet	—	283	70	8	78	28	—	39	331	983	
<i>West Lakes</i>											
Baringo I.	507	249	58	2	86	17	—	337	324	1,713	
Baringo II.	108	70	16	—	—	—	—	—	386	229	
<i>Kikuyu.</i>											
Kyanbu	2,563	374	290	339	422	767	211	—	1,110	7,758	
Fort Hall	2,524	903	219	1,657	548	917	—	—	746	7,939	
South Nyeri	2,946	600	215	224	1,457	79	—	—	1,384	5,662	
Embu	1,142	328	207	358	100	—	17	—	211	2,216	
Meru	1,676	994	60	4	398	89	—	—	121	5,006	
<i>Ukamba.</i>											
Machakos	4,771	1,013	369	343	1,272	799	819	—	655	9,527	
Kitui	1,632	666	904	202	144	431	208	—	948	6,788	
<i>Masai.</i>											
Narok	—	1,060	92	3	2	—	—	—	55	2,591	
Kajiado	589	1,151	360	4	—	—	520	—	345	1,694	
<i>Turkana.</i>											
West Suk	—	309	52	—	—	—	—	—	—	732	
South Turkana	—	128	—	—	—	—	—	—	—	128	
<i>Total</i>	£ 39,952	14,070	8,669	17,000	6,915	8,496	9,510	2,889	2,570	14,116	119,504

\* Includes £1,144, being refund to Government of rents and stand premia overpaid.



## APPENDIX 9.

## Communal Labour.

(Extract from Minutes of Kyambu Local Native Council Meeting held on 27th and 28th January, 1931.)

MINUTE No. 66/31.

Allocation of money for Bridges to be erected in 1931.

Agreed that the following should be built if funds allowed in 1931:—

- (1) Rui Rwaka (Headman Koinange),
- (2) Kamiti (Headman Mimi),
- (3) Ndarugu (Headman Kiranga),
- (4) Ruiru (Headmen Rimungi and Gathingo),

and that if any money remained over that a bridge be built over the Karura river in Headman Philip's location. The Council also gave their opinion that the provisions of the Native Authority Ordinance should be followed in regard to communal work on roads. That such labour should be unpaid and that Headmen should call out labour in their locations for maintenance and repairs of existing roads under this law. Too much money had been wasted unnecessarily last year in paying gangs of labour for upkeep of roads and the resulting shortage of funds had seriously deflected money from being expended in the building of bridges and the opening of new roads which were of great value to the trade of the Reserve. It was agreed, however, that labour should be paid for when assisting "funds" to build bridges.

## APPENDIX 10.

TABLE I.

Revenue Figures, 1926-1931.

	1926.	1927.	1928.	1929.	1930.	1931.
Customs	£ 741,374	830,550	915,282	946,725	815,286	698,584
Licences, etc.	842,587	898,166	907,699	902,566	948,774	867,714
Fees, etc.	125,794	129,670	129,356	123,843	140,886	130,382
Posts and Telegraphs	148,258	165,100	171,646	182,158	173,525	168,132
Earnings of Government Departments	£ 48,713	54,022	79,586	96,988	98,750	87,621
Revenue from Government Property	106,908	90,044	79,081	74,657	72,241	71,347
Sale of Government Property	26,774	35,075	22,763	60,046	33,959	14,577
Miscellaneous Receipts	11,646	12,278	10,244	11,767	17,042	16,192
Forest Revenue	—	39,199	37,329	39,461	38,705	30,901
<i>Total General Revenue</i>	£ 2,051,994	2,254,104	2,351,926	2,441,211	2,339,168	2,085,450
Port, Harbour, and Light Dues	21,357	598	57,955	55,988	42,587	29,923
Land Sales	39,362	48,387	570,616	770,843	788,435	891,140*
Reimbursements	385,558	397,950	40,187	66,400	55,323	25,494*
Interest	128,952	145,631	—	—	16,067	30,923
Colonial Development Fund	—	—	—	—	—	—
<i>Total Gross Revenue</i>	£ 2,627,223	2,846,110	3,020,694	3,833,742	3,241,600	3,066,980

\* The items "Reimbursements" and "Interest" include recoveries from the Railways and Harbours Administration in respect of annual loan charges. In 1931 the loan charges recovered from the Railways and Harbours amounted to £753,167, and this amount is included in the "Reimbursements" total of £891,140.

APPENDIX 10—(Continued.)

TABLE 2.

Comparative Expenditure Figures (Recurrent Votes).

Department.	1926.	1927.	1928.	1929.	1930.	1931.	Budget 1932 (original).	Revised Budget 1932.	Remarks.
H.E. The Governor Administration	£ 48,432 249,297	£ 18,213 254,791	£ 18,363 257,770	£ 17,485 259,777	£ 16,874 259,037	£ 15,780 256,401	£ 16,565 266,818	£ 15,950 255,456	Native Registration Dept. included up to 1927.
Agriculture	106,699	113,354	128,021	147,257	160,804	144,310	143,385	136,036	
Audit	13,446	16,771	18,803	18,896	19,158	19,388	20,792	19,812	
Coast Agency	—	—	7,678	5,585	5,976	6,034	5,826	5,676	
Conference of East African Governors.	2,576	1,931	1,636	1,193	1,409	1,228	1,250	1,250	
Education	39,449	41,944	44,032	45,828	48,123	47,488	49,747	48,123	
Forest	108,074	121,136	136,040	165,088	180,734	182,224	188,632	178,485	
Game	29,855	32,750	36,943	38,914	38,729	36,859	37,160	35,637	
Journal	8,627	11,207	11,041	12,357	11,982	10,855	10,939	10,939	
Legal	22,752	26,308	26,119	30,436	33,759	33,087	34,136	33,426	
Local Government Contributions	9,621	10,627	9,813	9,824	9,566	8,809	8,755	8,755	
Medical	161,043	180,206	194,814	222,185	236,934	221,201	219,357	207,498	
Military	105,304	114,579	114,448	123,896	97,447	89,455	87,258	90,288	
Miscellaneous Services	86,801	132,141	109,001	50,859	64,371	69,455	87,753	87,633	
Pensions and Gratuities	—	—	—	117,285	113,669	132,637	139,237	130,700	
Police	134,274	137,846	144,429	160,872	172,017	149,232	147,000	141,894	
Post Office	136,421	141,515	149,625	159,054	172,255	172,565	169,035	157,045	

Printing and Stationery	21,442	34,406	36,114	37,418	38,025	32,475	36,534	32,534	Amalgamation of Government and Railway Press in 1927.
Prisons	43,640	43,194	45,114	50,369	50,392	46,714	49,000	47,995	
Public Works Depart- ment	71,826	89,058	122,728	141,297	149,354	133,088	112,925	107,898	
Public Works Recur- rent	196,638	178,964	190,730	173,617	182,459	154,658	145,500	137,600	
Registrar-General	3,330	4,428	5,300	5,113	5,530	5,842	6,007	5,655	
Rents and Interest,	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	
Sashbar and Log- Council	19,637	20,205	18,079	19,752	21,101	19,024	20,946	19,146	
Statistical Departments	—	—	21,121	20,176	22,808	22,175	21,260	20,959	
Survey and Registra- tion (including Land Department to 1927).	41,061	43,450	35,516	39,516	37,927	36,233	36,500	34,520	Land Department in- cluded in Admini- stration from 1928.
Trade and Information Office.	5,000	5,000	6,013	4,955	4,895	4,837	4,800	4,800	
Treasury	22,445	25,129	24,887	26,726	26,487	26,407	25,879	25,433	
Public Debt and In- terest*	464,981	503,538	591,876	781,580	814,683	891,495	1,011,500	1,010,500	
Extraordinary Expen- diture	109,181	110,634	199,051	517,295	307,874	108,282	32,250	27,135	
Port and Marine Committee Development Fund	17,325	—	—	—	16,087	30,923	319	319	

Total Gross  
Expenditure £

2,414,681	2,515,115	2,834,646	3,505,072	3,438,874	3,216,089	3,246,477	3,142,723
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\* The item "Public Debt and Interest" includes provision for the annual loan charges of both Colony and the Railways and Harbours Administration. The amount recoverable from the Railways and Harbours, which in 1931 amounted to £753,167, appears under "Reimburse-  
ments" on the revenue side of the Colony's budget.

TABLE 3.

## Allocation of Total Public Debt and Annual Charges.

Loan.	Capital Debt			Annual Charges.				Total Annual Charges.		
	Colonies.	Railways and Harbours.	Total Public Debt.	Colonies.		Railways and Harbours.				
				Interest.	Sinking Fund.	Interest.	Sinking Fund.			
1921	£ 754,814	£ 4,245,386	£ 5,000,000	£ 45,277	£ 9,810	£ 55,087	£ 254,723	£ 55,190	£ 309,913	£ 365,000
1927	-	5,000,000	5,000,000	-	-	-	250,000	50,000	300,000	300,000
1928	658,669	2,840,331	3,500,000	29,685	36,281	66,281	127,815	28,404	156,219	192,540
1930	2,233,909	1,166,091	3,400,000	100,526	22,339*	122,865	52,474	11,661*	64	187,000
Total	£ 3,648,192	£ 13,251,808	£ 16,900,000	£ 175,488	£ 38,745	£ 214,233	£ 685,012	£ 145,255	£ 830,267	£ 1,044,500

\* Contributions to the sinking fund in respect of the 1930 loan: commence in July, 1934.

## APPENDIX 10.—(Continued).

TABLE 4.

Probable Short-fall on 1932 Revenue Estimates.		£
Customs Revenue	.. .. .	200,000
Licenses, Duties, Taxes, etc.:		
Native Registration	.. .. .	700
Stamp Duties, Various Revenue Purposes	.. .. .	9,500
Liquor Licences	.. .. .	500
Cattle Traders' Licences	.. .. .	1,700
Non-Native Poll Tax	.. .. .	4,500
Fines and Forfeitures	.. .. .	10,000
Traders' Licences	.. .. .	500
Petrol Tax	.. .. .	5,500
Cotton Tax	.. .. .	1,200
European Education Tax	.. .. .	600
Asiatic Education Tax	.. .. .	2,500
Motor Drivers' Licences	.. .. .	500
Entertainment Tax	.. .. .	1,500
Other Licences Revenue	.. .. .	3,900
		43,100
Fees and Payments for Specific Services	.. .. .	2,600
Posts and Telegraphs Revenue	.. .. .	8,000
Earnings of Government Departments	.. .. .	10,000
Revenue from Government Property	.. .. .	6,500
Forest Revenue	.. .. .	7,000
Reimbursements	.. .. .	4,500
Total	.. .. .	£281,700

The total short-fall of £281,700 may be off-set to some extent by excesses on other sub-heads, e.g. Miscellaneous Receipts, which it is impossible to estimate accurately, and by the receipt of arrears of 1931 hut-tax revenue. It is considered that a reasonable estimate of the probable total short-fall at this early stage would be £250,000 if account is taken of revenue increases that may accrue.

## APPENDIX 10.—(Continued).

TABLE 5.

<b>Estimate of Cash Position at 31st December, 1932.</b>		
A.— <i>Surplus Account.</i>		
Balance on 1st January, 1932	.. .. .	£ 381,543
<i>Less Deficit on 1932 Accounts:—</i>		
Original Revenue Estimate	.. .. .	£ 3,295,414
Less Short-fall	.. .. .	250,000
		<u>3,045,414</u>
Original Expenditure Estimate	.. .. .	£ 3,246,477
Add Special Warrants to date	.. .. .	27,373
Add Reserve for further Special Warrants	.. .. .	20,000
		<u>3,293,850</u>
Less Economies	.. .. .	103,754
		<u>3,190,096</u>
Deficit .. .. .		144,882
Surplus Account at 31st December, 1932 .. .. .		<u>£216,831</u>
B.— <i>Commitments against Surplus at 31st December, 1932.</i>		
Agricultural Advances	.. .. .	£ 100,000
Grain Subsidies	.. .. .	116,000
Loans to Local Authorities	.. .. .	2,500
Unallocated Stores	.. .. .	80,000
		<u>298,500</u>
Estimated Surplus at 31st December, 1932 (as above) .. .. .		216,861
Cash Shortage	.. .. .	81,639
Add Cash required for current Treasury needs	.. .. .	100,000
Cash Deficiency	.. .. .	<u>£181,639</u>



Report by the Financial Commissioner  
(Lord Moyne)

ON

**CERTAIN QUESTIONS IN  
KENYA**

*May, 1932*

173  
10 GROSVENOR PLACE.  
S.W.1.

May 18th, 1932.

My dear Philip,

I must write to apologise for the very untidy copy of my Report which Forbes tells me was sent to you yesterday. I had no idea that you would be seeing it until it was in print. Meanwhile I want to explain the reason for what must appear to be indecent haste in view of your preoccupations with Ottawa and other matters of greater importance than East Africa.

Byrne arrived back from the Governors' Conference at Dar es Salaam full of courage but I am not sure how long it will survive his henchmen who all but the Treasurer wish to follow the line of least resistance and are adept at finding arguments for leaving things alone.

His last words before I left were that the earliest possible publication of the Report would suit him best. If you take the view that expenditure must be balanced by fresh taxation he will certainly have to use his official majority as Elected Members oppose all fresh taxation on principle. If the issue is to be forced he says that he would be greatly strengthened by an expression of Conservative opinion in the House of Commons in favour of a balanced Budget which I suppose inevitably means Income Tax. In case there is an early Debate he thought that you could perhaps say that you accepted the view that the Kenya Budget must be balanced but that the other matters in the Report

would need to be the subject of correspondence between you and Kenya before you could reach any decision. Byrne feels strongly that it would be a mistake to postpone publication and Debate until you have made up your mind about my detailed recommendations.

I think I ought to see you before you decide finally about the Economy Committee. If you have time it would be well to glance at paragraphs 103 to 106 of my Report in this connection. I started the idea of the Committee after a conversation with Schwartz, the most intelligent of the Elected Members, in which he told me that he would be in favour of such a Committee and would be willing to accept an official Chairman, for preference the Treasurer. The suggestion that the Treasurer should be Chairman was not at all popular with the Colonial Secretary and as Byrne rather avoided the subject of personnel I did not feel justified in pressing my view upon him. I have no idea who he will wish to nominate but I am quite sure there be strong pressure from Moore for a neutral Chairman such as the Director of Education or the Postmaster General. On the other hand I feel sure you will only see tangible results if you induce him to appoint the Treasurer, Rushton. He has own great courage in an extremely difficult position and of shows better than anyone else where economies can be sought.

I am looking forward to lunching with you next week but I hope that before that you will be able to bring Wilson here to lunch and have a business talk.

This of course needs no answer.

*Yours ever  
W.G.*

PERSONAL & CONFIDENTIAL.

174  
2  
GOVERNMENT HOUSE,  
KENYA,  
EAST AFRICA  
7th May, 1952.

Dear Sir Philip,

I am sending this by Lord Moyne who returns home by Air Mail tomorrow. I shall miss him greatly for although I did not see much of him - indeed it was inadvisable that I should do so - he has invariably been most helpful and his advice has been of great value to me. Here in my position, with the constant problems and daily crises, one is apt to become a little warped and it certainly is refreshing to come in contact with a man of his wide experience who is in no way influenced by the petty political manoeuvring which is the curse of this Colony.

I need hardly insist upon you an account of our local doings for I am sure Lord Moyne will tell you everything.

A complete state of stagnation has set in, far greater than even the most pessimistic could have imagined. The present infestation of Locusts is, to a considerable extent, the cause of this and I do not think there will be much improvement until confidence is restored and money gained from exports begins to flow into the country again. At present Coffee must be considered our main stand by.

It is unfortunate that the long overdue overhaul.....

overhaul of our economic structure should have to be effected during this time of acute depression. But it must be faced, and faced without delay. The pity of it is that there appears to be no statesman at present in the country capable of leading the elected members and the European community in the right direction. It is really disheartening to be always confronted with the cry about resisting all additional taxation - even the good example of England has had no effect on these near-sighted people. Only last night I summoned the elected members to Government House and informed them that we proposed to introduce immediately as a temporary measure a small increase in the tax on Petrol (20 cents a gallon) calculated to bring in about £21,000 this year. To my disgust they unanimously decided to fight against the measure not, they said, because the tax was an unfair one, but because it was against the principle they had laid down.

I enclose herewith a copy of the speech I made at the opening of Legislative Council on the 4th May. I send you this because pending the presentation to Parliament of Lord Moyne's Report I feel that some action should be taken, and the speech outlines the action suggested. I enclose also a copy of the terms of reference which have been tentatively drawn up and unanimously approved by Executive Council. It is essential that these terms of reference should be so drawn up as to preclude discussion on revenue matters as otherwise the Committee.

*See Moyne's letter - No 3.*

*This can't wait till Nov. 4 & I have discussed with Moyne*

*Agree this will be the Treasurer as Chairman*

Committee would soon become involved in questions which will be no doubt be dealt with in Lord Moyne's report and which will form the subject of debates both in the House of Commons and in the House of Lords. The personnel of the Committee has not yet been selected but I fancy I shall have trouble over insisting on an official majority. All that I can foresee agreement upon is, say, three officials and three unofficials, one of the former acting as Chairman with a casting vote. I personally have no objection to that. ✓

Would you agree to my appointing this Committee with the terms of reference and the constitution suggested? If so, I should be grateful for a cable. Lord Moyne will put you wise about the negotiations that have taken place in regard to this matter.

Turning to things more remote, I feel sure that Income Tax in some form will have to be introduced without delay and I feel equally sure that it will be strongly resisted at the start but that good sense will prevail in the end. I would be far easier for me if definite instructions to introduce such a tax came directly from you with the further instruction that I was, if necessary, to use my official majority. Should my surmise be correct I suggest that MacGregor, the Attorney General be summoned to the Colonial Office so as to make himself familiar

with...

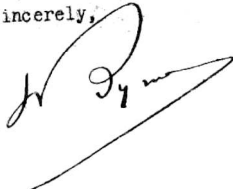


with the legislation and measures adopted elsewhere especially as regards the Indians (with their multiplicity of languages). He might also talk over the question of the appointment of an energetic and knowledgable Income Tax Commissioner. I am given to believe that the failure of the last attempt was partially due to the type of person then appointed.

The task of the Committee previously mentioned will be formidable, for it will not be easy to find avenues for further economies. European education will, I imagine, prove to be one of the main fences to be got over. The fact that very large sums will rightly have to be ear-marked for native services is an added complication.

Just now the political atmosphere is serene but I foresee many storms ahead before we get into smooth water again. Forgive me sending you such a long letter: you must be worried on all sides during these difficult times. If it were not for the Locusts we should not be such a nuisance to you.

Yours sincerely,



Major The Right Honourable,  
 Sir P. Gunliffe-Lister. P.C., G.B.E., &c.  
 Secretary of State for the Colonies.  
 The Colonial Office.  
 LONDON. S.W.1.

Whitehall 6834

24, OLD QUEEN STREET,  
WESTMINSTER,

S.W.1.

Proposed addition to Terms of Reference  
of Kenya Economy Committee

3

Cost of N.M. Regular Forces, Public Debt charges, Pensions and ~~services~~ <sup>those</sup> services of direct native benefit on which Lord Moyne is making recommendations in his Report are to be reserved from the consideration of the Committee

PROPOSED TERMS OF REFERENCE FOR THE COMMITTEE REFERRED TO IN  
THE PERSONAL LETTER FROM THE GOVERNOR TO THE SECRETARY OF STATE  
DATED 7TH MAY, 1952.

1. To examine the organisation of every Government Department and to recommend as a basis of Government expenditure for the next four years:-
  - (a). What services are necessary to keep a reasonably efficient Government machine in being,
  - (b). What amount is required to be voted annually for each Department to provide the cost of such essential services,
  - (c). What re-organisation of Departments, if any, is considered necessary to obviate any duplication of work or redundancy,
  - (d). What curtailment of expenditure or services is necessary.
  - (e). The order in which such curtailment should be effected.
  
2. To report whether the total expenditure so found to be necessary can be met from the anticipated revenue on the present basis of taxation.

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In arriving at their conclusions the Committee should have regard to:-

- (1). The need for building up the surplus balances of the Colony within the next four years to a figure compatible with safety and the resources available,
  - (2). The Colony's commitments in respect of loan and pension services,
  - (3). The essential need for productive development.
-

MAY 4, 1932

## COMMUNICATION FROM THE CHAIR.

HONOURABLE MEMBERS OF LEGISLATIVE COUNCIL,

May I commence by expressing, on behalf of the Government, a very cordial welcome to our new Member, Major Chap. His wide and varied experience should prove of great help to us during our deliberations.

Were it not for the uncertainty connected with this fresh infestation of locusts I honestly think that we should be on the way towards seeing daylight. I say this in spite of the lag in Customs revenue to which I will refer later. The position, at its foundation, is, I think, more stable, and the recent utterances of the Chancellor of the Exchequer and of the President of the Board of Trade tend to confirm this view: the tariffs—and the associated preferences on Empire products—introduced by the Imperial Parliament, coupled with the possibility of further measures resulting from the Ottawa Conference should in good time prove beneficial to this Colony.

I do most sincerely sympathize with those who are again called upon to fight for their crops against locusts; but perhaps even yet the damage may be less than we expect. We all most earnestly hope that this will be the case and the Government on its part will continue to take such steps as lie within its power and means to assist the campaign against this pest.

I sometimes feel that at home and even out here people do not fully realize the appalling injury to this Colony that has been caused by locusts. There is not only the direct damage but, what is even worse, there is the indirect damage in the way of loss of confidence with the consequent complete stagnation in trade. In my judgment the financial worries which now confront us are to a great extent due to this affliction which, thank God, we may be permitted to regard as a temporary one.

As Honourable Members are no doubt aware I recently did an extended tour through the settled areas where I received from one and all a most kindly and hospitable welcome. I have come back filled with admiration for these farmers and for their womenfolk. With few exceptions they have adjusted themselves to the altered conditions; they are living frugally and they are working from morning till night trying to make good against very heavy odds.

I have read with very great interest the discussions on the subject of Publicity which took place in Nairobi yesterday. I can assure you that the Government will give all the assistance it can in the way of making the attractions of Kenya better known not only to tourists but to those who it would be to our advantage to join us as fellow colonists.

I am very hopeful, as the result of the Governors' Conference, that it will be possible to retain the London Office somewhat on the lines agreed upon a few months ago. This office will form an important link in the chain of greater Publicity which is now being forged.

Frankly, the Customs returns for January, February and March have been most disappointing, not only to the Government but also, I am sure, to those who thought that we had budgetted on the optimistic side, for, as things have turned out, even their more cautious estimate is not nearly being realized. During the first quarter of this year we actually collected 450,000 less than we collected during the same period last year, despite the additional duties and the incorporation of the Wines and Spirits Consumption Tax in the tariff. Everybody appears to be simply marking time; traders are not replenishing their stocks and are working on a hand to mouth basis. The population generally is curbing its appetites and it is doing so far as it can on local products.

This extraordinary drop in Customs revenue naturally gave cause for anxiety although there is reason to hope that towards the end of the year some leeway will be made up. In dealing with the situation the Government has been fortunate in having in existence the "Watch Dog" Committee. I trust the Committee will pardon my using this nickname. I believe that I am partially responsible for it for I used the word in my Nakuru speech. Here we have the leader of the Elected Members, a representative of the Chambers of Commerce, and an experienced Banker conferring each month with the Colonial Secretary, the Treasurer and the Commissioner of Customs for the purpose of reviewing and taking stock of the revenue position. I am informed that in this Committee there is no division of opinion between the Government and the non-Government members. They are a united body jointly doing their best to lay a proper appreciation of the position before Government. After their first meeting they advised as a measure of precaution that the Government should take immediate steps to reduce expenditure so as to save a sum of not less than £100,000 in 1932. We had already foreseen the necessity of a further curtailing of expenditure and the plans which were in course of preparation, including a six months' moratorium on leave, were immediately put into operation, with the result that savings to the amount of £107,166 have been effected and a statement will be laid before Council giving details as to how this result has been reached. The difficulty of achieving this result will be realized when I tell you the present revised 1932 Estimates of working

expenditure, by which I mean all expenditure with the exception of public debt charges, represent a reduction on the corresponding expenditure of 1930 of over half a million pounds. The first cuts are not so troublesome but those nearer the bone constitute a somewhat delicate operation.

It is necessary to remember in connexion with cutting down expenditure that two items of our budget are not susceptible of any reduction without repudiating "debts of honour," i.e. the votes for Public Debt charges and the vote for Pensions. Furthermore, the votes for Police and Prisons cannot safely be reduced below a certain minimum if Government is to carry out its primary function of maintaining law and order. Lastly, the votes required for adequate defence of the Colony cannot be determined on local considerations alone. I have ascertained that about 47 per cent of our revised revenue estimate for 1932 is earmarked for the services I have just referred to, the further reduction of which is very difficult for the reasons I have stated.

I invite the attention of Honourable Members to these facts because it is apparently not generally recognized how restricted is the field for effecting economies.

As a result of the latest review of the situation made by the "Watch Dog" Committee yesterday, the official report of which has not yet reached me, I understand that they feel that there is a probability of a shortfall on the 1932 revenue estimates of about £250,000. The difficulty of meeting this very considerable shortfall by further economies over and above the £107,000 already effected will be appreciated from what I have already stated. In fact, it is practically impossible to arrive at any material savings without a considerable curtailment of essential services. I therefore feel that the time has arrived when we should attempt to lay down definitely the establishment and necessary services required to keep a reasonably efficient Government machine in being for, say, the next four years and then assess the annual amount required to maintain such a machine, always keeping in mind the obligation to build up again our surplus balances to a figure which will give us a margin of safety should bad times come again.

As Honourable Members are aware, there are three important enquiries, relating to affairs in the Colony, either in being or impending but I think the investigation I have just referred to need only await the presentation of Lord Moyne's report to Parliament, probably towards the end of this month, as his recommendations may materially affect the position. The idea I have in mind—one which I may say received the general approval of the Executive Council a few days ago—is to re-examine the Government machine on the basis

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of reasonable efficiency should be undertaken by a small committee of officials and unofficials. I intend to place the proposal before the Secretary of State by next Air Mail with the request that if after consultation with Lord Moyne he finds that it does not conflict with the latter's general recommendations then I should be permitted to take the necessary action even before the Report is laid before Parliament. By this means we should be able to appoint the committee within the next few weeks. The terms of reference will be drawn up by a sub-committee of the Executive Council and the personnel will be selected after consultation with that body.

It might not be out of place here if I took this opportunity on behalf of Government of expressing to Lord Moyne—who returns home by Air Mail on Sunday—the sincere thanks of Government for coming out to conduct this important enquiry. He has certainly undertaken a task of extraordinary complexity and being a one-man investigation his work must be very arduous indeed. No one could have been more approachable than he has been and no one could have searched for truth more assiduously than he has done. I know that he agreed to come to Kenya solely from a sense of public duty and this makes us all the more grateful to him for his public spirited action.

Turning to other matters I should like to say how grateful I am at the response to the invitation issued to leading agriculturists to serve on the Board of Agriculture. With one or two exceptions, based on personal and private grounds, all the invitations have been accepted. I hope very shortly to be able to announce the full composition of the Board.

Two of the most important problems which are being submitted for the early consideration of the Board are those presented by long term agricultural credits and the marketing of native produce. As regards the latter I am awaiting a Memorandum from the Mombasa Chamber of Commerce which I am sure will prove to be most valuable.

I am sorry to inform you that during the past few months, chiefly due to locust destruction, the position of the Wheat Industry has caused some anxiety as the yield from the 1931 and 1932 crop is insufficient to meet local requirements. In these exceptional circumstances some emergency action appeared desirable, if the danger of closing down a number of mills was to be avoided. A resolution designed to meet this emergency will be tabled during the Session.

As regards the legislative work before us I need only refer specially to the reports of two Select Committees appointed by Council during its last sitting. The first is the report on the provisions of a Bill to amend the Traders' Licensing Ordinance framed with a view to tax Banks and Insurance Companies. You will notice that the Committee recommend that the Bill be not proceeded with and that the question of introducing a separate Bill framed on different lines be left to the discretion of Government.

A Bill is accordingly being laid before you for your consideration and I suggest that as it is essential that this should be reported on by a Select Committee, for there are many interested parties who should be given an opportunity of expressing their views on the proposals, Standing Orders should be suspended to allow of its first and second reading this Session.

The second is the report on the provisions of a Bill to Impose a Tax on Persons Practising Certain Professions in the Colony. In view of the unanimous recommendation of the Committee the Government does not propose to proceed with the measure.

Honourable Members of Council, there is one other matter which I should like to touch on before I conclude and that is the recent Governors' Conference. As you know, the results of our deliberations have to go to the Secretary of State and to each Government, for the Conference has no executive functions. There was nothing very sensational on our agenda but we came to a unanimous agreement on practically every subject, and if Elected Members desire I will gladly arrange to meet them and give them all the information I possibly can.

The Department can unreservedly welcome Lord Moyne's recommendations in principle and if, as regards details, certain practical considerations are mentioned, it is not by way of derogation. To take the recommendations seriatim:-

(1) Taxation according to ability to pay is emphasised in the Hilton Young Report and in the Native Policy Memorandum.

The late Governor <sup>meant</sup> ~~was~~ disinclined to apply this principle to native taxation until a similar principle (e.g. Income Tax) is applied to non-native taxation. For instance as regards hut and poll tax the Mesai rate of 20/- as compared with the general rate of 12/- was held to be open to objection.

(2) The disproportion referred to has no doubt been accentuated in recent years by the reduction in the imports due to the expansion of local production of such articles as sugar, wheat, flour, butter, etc., the consumption of which is mainly non-native

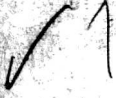
(3) This will be unpalatable locally, but confirms a frequent criticism, with which we need not quarrel.

(4) In dealing with the Memorandum of the European witnesses before the Joint Committee as to the incidence of taxation, the Acting Governor suggested as a possible line of development that the Governor should "surrender to local Native Councils for expenditure on local services a percentage of direct taxation, the percentage to be determined by the degree of advancement and responsibility which

which the several Councils have attained".  
 He pointed out, however, that the bearing on this question and the voluntary local cesses would have to be considered, and that no local councils are yet to be trusted to spend considerable sums in the wisest way.

Lord Moyne, however, proposes a Statutory Native Betterment Fund under the sole control of the Governor advised by a Committee. 50 per cent of the last 6 years' yield of hut and poll tax would be <sup>about</sup> £280,000. The net estimated revenue of the Colony for 1932 (excluding reimbursement) is about £2½ million. There are two points which may be mentioned:-

(Which amount roughly to £16,000,000 of which about £13,000,000 is an account of the Kenya- Uganda Railways and Harbours).



(1) The Colony's loans are secured on the general revenue of which <sup>hut</sup> poll tax forms a part. The loan services are a prior charge on the whole of this revenue, and any legislation creating a native Betterment Fund out of General Revenue would have to recognise specifically the existence of this prior charge.

(2) A statutory minimum tends to become a ~~statutory~~ <sup>practical</sup> maximum, and the elected members will probably not be slow to use the existence of this fund as a reason for opposing further allocations for native purposes. (Compare their similar attitude as regards the extent of native reserves).

Times are likely to be so bad for some years that it will be irrelevant

(5) This recommendation seems to follow logically from recommendation (2). ~~There is no need to consider the possibility of a native betterment fund being established on a voluntary basis.~~



(6) Expenditure has exceeded Revenue in the last three years. In 1929 and 1930, this was <sup>largely</sup> due to deliberate provision for expenditure from surplus balances on public works &c. Sir E. Grigg wished to make similar provisions in the Estimates for 1931, but permission was refused. Exception had previously been taken to the system (which obscured the real financial position) of <sup>not Expenditure from surplus balances or</sup> not making provision for revotes in the Estimates themselves, but leaving them to be dealt with as supplementary expenditure. It may be noted that the Department started pressing for a considered policy in regard to surplus balances at least six years ago.

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Secretary of StateLord Moyne's Enquiry

I attach

- (1) a copy of Lord Moyne's report;
- (2) Sir J. Byrne's reply to confidential letter of the 7th May;
- (3) a copy of a minute which I sent to Sir . . . . . today;
- (4) a letter to Lord Moyne . . . . . signature.

17.5.32

Sir C. Bottomley

Lord Moyne's Enquiry

Major Fosbrook-Hobbes called this morning (a day earlier than expected) and left with me the following papers:-

- (1) Lord Moyne's Report (in duplicate)-
- (2) Sir Joseph Byrne's Personal and Confidential letter to the Secretary of State of the 7th of May.

Major Fosbrook<sup>Ke</sup>-Hobbes made the following points in the course of his conversation:-

- (i) The urgency of publication.

I told him that we should arrange to get the duplicate of the Report to the Printing Department today, so that the work of printing might be set in hand forthwith. He was anxious to know how soon publication could be effected. The Report is one with numerous appendices, and I said that I thought ten days or a fortnight would be the earliest possible limit of time. I gathered also that Lord Moyne and Major Fosbrook<sup>Ke</sup>-Hobbes would wish to read the proofs and check the statistics in the appendices rather carefully.

- (ii) The title of the Report.

This has been left blank, as Lord Moyne would like our advice on this point.

- (iii) Communication to the press in East Africa

Major Fosbrook<sup>Ke</sup>-Hobbes said that Lord Moyne would like to let the four leading papers in Kenya have

have an authoritative summary of the main recommendations in the Report in advance of publication. He hopes to arrange for this in the following way:-

He would send out by air mail 8 or 9 days before the date of publication summaries to the Editors of the East African Standard, the Times of East Africa, the Mombasa Times and the Kenya Daily Mail, with instructions that the material was not to be released until receipt of a cable from Lord Moyne authorising publication.

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(1) As regards immediate action, I think that Major Fosbrook<sup>Ka</sup>-Hobbes would like to see Mr. Allen and have a general talk with him tomorrow. He suggested 11.30, but I could not get Mr. Allen as he was engaged on the telephone when I tried to get through to him. Major Fosbrook<sup>Ka</sup>-Hobbes' telephone numbers are Ascot 210 or (the Conservative Research Department) Whitehall 6834.

(2) You will remember that Lord Moyne in his letter to the Secretary of State of the 28th of April, of which I gave Mr. Allen a copy, suggested an early meeting with Sir P. Cunliffe-Lister and Sir S. Wilson. On instructions given me by the Secretary of State before he left last week, I am sending on today to him the draft of a letter in reply to be sent to Lord Moyne at 10 Grosvenor Place, saying that Sir Philip and  
Sir

Sir Samuel will be delighted to lunch with him, and suggesting Wednesday, the 25th May. I will also send on to the Secretary of State today one copy of the Report and Sir Joseph Byrne's letter, so that he may have an opportunity of studying them before he meets Lord Moyne.

*Edw*

17.5.32

MEMORANDUM

Sir C. Bottomley:

Sir S. Wilson:

A search as exhaustive as has been possible in the time has disclosed the following directions on the subject of taxation from the Secretary of State to the Governor of Kenya during the period 1922-1932.

(17063/24)

June, 1924.

Part of the expenditure on Public Works in Native Reserves should be made from general revenues as the native in the reserves pay considerable sums in direct taxation.

*xix, but all of it from Native Trust funds*

(31860/25)

August, 1925.

Money derived from native lands should not be used merely to relieve taxation by carrying out works or performing services which are normally charged to Colonial or Municipal Funds.

(33943/25)

August, 1925.

The Ormsby-Gore Commission (Cmd. 2387, page 175) stated: "We feel that both trade and non-native enterprise should in the future pay a larger direct contribution towards the revenue of the Colony...  
..... "Where non-native enterprise exists some form of income tax should be adopted." The Secretary of State (Mr. L.S. Amery) wrote with reference to this paragraph "I associate myself generally with the observations of the Commission."

(Cmd. 3573)

June, 1930.

In the Native Policy Memorandum was included the following:

"Turning now to the question of taxation, His Majesty's Government consider

consider that the principle to be followed is that, whilst the whole revenue of a Dependency from direct taxation, by whatsoever class, vocation, or race, payable, ought to be assessed in proportion to the ability to pay of each family or household, the levy of direct taxation on the native should be definitely limited by his capacity to pay such imposts without hardship, and without upsetting his customary method of life. The nature of any direct taxation levied upon the natives, together with the scale on which it is assessed, should be determined primarily in accordance with this principle. It is, indeed, a positive duty of the Governments to make sure that the native has an effective choice in the way in which he meets his taxes, and every care should be taken to provide that taxation, whether central or local, does not, in its result, actually oblige the native to labour for wages as the only practicable means of obtaining the money wherewith to pay his tax."

(25543/30)

July, 1930.

"Until such time as it <sup>becomes</sup> is feasible to introduce <sup>in</sup> to non-natives an effective system of income tax or some other means of assessing direct non-native taxation according to ability of the ~~non~~-native to pay, I consider that endeavour should be made to approximate as closely as possible



(2543/30)

February, 1931.

possible to a flat rate for the taxation of all natives under the same administration."

"In any case if a flat rate is the general rule a specially high rate of taxation of any particular tribe could be justified only if in return there was special expenditure by the Government on development works in that tribe's reserve up to approximately the amount of the difference between the yield of taxation at the special rate and the yield of taxation at the normal flat rate."

(17302/A/31)

August, 1931.

Referring to the expected deficit on the year's working, after reminding the Governor that "any assistance from the Imperial Exchequer is wholly out of the question" and that it would be most undesirable to meet the deficit by borrowing, the Secretary of State said "I would press strongly upon you the desirability of reinstating an income tax as an emergency measure..... indeed, I think that the imposition of such a tax is probably desirable in any case in order to strengthen the budget position." To the Governor's rejoinder deprecating the use of income tax as an emergency measure, the Secretary of State replied "I consider the necessity for introducing income tax next year, [i.e. 1932] should be definitely contemplated and legislation drafted.

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NAIROBI,

Kenya Colony.

28th April, 1932.

My dear Philip,

My enquiry here has been a heavier business than I at first expected but it is now nearing its end and I hope to fly home on May 8th. As early decisions on the matters raised are of importance to the Kenya Government and as I am very anxious to get back for private reasons, I have been working at great pressure to get the report finished. I have told you already something of Byrne's great difficulties and of my anxiety that the report should be helpful. He has to meet his Legislative Council on the 2nd May. They are clamouring for every kind of expedient to avoid facing unpleasant facts and time is therefore of importance.

Fosbrooke-Hobbes will I hope bring two copies of the report to your Private Secretary on Wednesday, May 18th, and I am wondering whether it would be possible for you to leave instructions that one copy should go at once to the printers for publication if approved at an early date.

The more important recommendations are as follows:-

- (1) A reorganisation of native taxation according to ability to pay. Although in a Colony where changes are accepted with reluctance and where the Colonial Office correspondence seems to be unchanged over a period of ten years except for the signature of the Secretary of State, it is impossible to get unanimity, my proposals are generally accepted as just and have the strong support of the two senior Provincial Commissioners with most experience of native administration.
- (2) I have shown the disproportionate burden of taxation borne by the native as compared with the European, and have argued that it can only be justified if services for his direct benefit are re-established at the minimum level in force in 1930 and 1931.

- (3) Owing to the lack of adequate native representation and the practice of Elected Members who form the majority of the Select Committee on Estimates to increase expenditure for the benefit of their constituents native services in the general squeeze for economy have been unduly cut.
- (4) The proposal for a varying native budget under the control of the Governor (see Joint Select Committee report, paragraph 87) would put on him an impossible task in Legislative Council. I therefore suggest that a statutory Native Betterment Fund should be created for financing the four chief services of native development, and that the necessary funds should be provided by a 50% six years' average of the yield of Hat and Poll Tax or any future substitute. This fund should be outside the interference of the Select Committee on Estimates and under the sole control of the Governor advised by a Native Betterment Committee.
- (5) Further taxation cannot with any fairness be imposed at present on the native and deficiencies must be made up from non-natives who are bearing relatively so light a burden.
- (6) I propose to deal in some detail with the budgetary position shewing how it has been balanced for years past out of accumulations. There is no indication of improvement in the prospects. The European community are no longer justified in waiting for something to turn up and should accept the necessity for direct taxation in the form of income tax.

There is no doubt that Byrne will have a very rough passage but he is full of courage and will put the matter through if he is backed up from home. Much importance is attached out here to the opinion of the house of Commons,

and as I find that Leo Amery, in Despatch No. 736, as long ago as the 7th August 1925 associated himself generally with the observations of the East African Commission on page 175 of their report, that non-natives should pay a higher contribution towards the revenue of the Colony and that some form of income tax should be adopted, I am hopeful that if I explain to him the position he may perhaps play a helpful part in case the matter should be discussed on your vote in the House of Commons.

I wonder whether you and Wilson and anyone else you may care to bring would come and lunch (stags only) any day after Wednesday the 18th may so that I can give you certain explanations which are not suitable for the report. Alternatively, I would come to see you at any time that you may appoint. I am not sure whether I may be in Sussex during Whitweek and I expect you will certainly be away, but I could come up whenever you may appoint if a letter could be sent to await my arrival at 10 Grosvenor Place.

Yours ever,

*W.G.*

*W.G.*  
*21/5*  
*Thursday 24*