

1935.

Kenya.

No. 38095.

SUBJECT

C0533/458

Levy on Official Salaries.

Previous

23295/34.

Subsequent

1936.

P.S.
Salaries-levy.

1 U.C. Transport. Conf. _____ 13th March 35
Final memo showing the financial results of working
for 1934. States that the Rly. Advisory Council will reconsider
the question of salary levy on Rly. servants & that the General
Manager has been informed that it is considered that the financial
position no longer warrants the continuation of the levy.

The financial results of 1934 (subject to audit) show that the accumulated Deficit Account has now been completely extinguished, and that the Reserve Account has been ^{opened} increased by £26,708.

The European Civil Servants Association seize upon this to prove their argument that the continuance of the levy in 1934 was not necessary (the proceeds of the levy amounted to roughly £25,000). They ask, therefore, for a refund of the amount contributed in 1934 and discontinuance of the levy as from ^{1st} 1st of January 1935.

The High Commissioner agrees with the General Manager in thinking that the levy on the railway staff is no longer justified by the financial position of the Administration. The matter is to be considered by the Railway Advisory Council in June of this year. By that time we may hope that the Treasury ^{will} have come round to our views with regard to the future of the Renewals Fund.

This despatch does not call for an answer and may be ? put by.

C.A. Grossnick
15th 4th 35
B.V. on Sir J. Bygon's arrival
(May 6th)
Director
15

It looks to me a forgone conclusion that the levy will be removed. The only point is from what date. The staff has asked, through its Associations, that the levy already deducted in 1934 should be refunded. They point out that the annual revenue exceeded the annual expenditure for that year by £26,000 which is more than the full yield of the levy; they argue on that basis that the levy was unnecessary for the purpose for which it was intended.

A similar kind of argument was advanced by the Gold Coast in 1934 - 21640/34 No.2, and the answer was that the S. of S. would see strong objection on general grounds to making a refund, as this would be analogous to refunding the proceeds of taxation and would therefore create a very awkward precedent.

I don't think that the position in the K.U.R. differs, and I think that the demand for a refund of the levy for 1934 will have to be resisted. It does not seem likely to be supported by the High Commissioner, or to be proposed by the General Manager who, apparently, has limited his recommendation to the removal of the levy from the 1st January, 1935. To that I do not think we need take any exception.

C. J. V. 26.4.35.

A. B. 27/4.

* There never was a very good case for a levy at all in the K.U.R. and if it hadn't been in Kenya & Uganda and so surrounded by lines I don't suppose one would have been made. Now, by dint of the efforts of the G.M. & his staff the "deficit" has been cleared away & there is actually a surplus. Therefore there is a very good case for abolishing the levy now.

The argument that 1934 actually produced a surplus & that therefore the removal of the levy ought to be retrospective and cover that year is specious but I think it will have to be resisted, as Mr. Jackson says. It is not proposed by the General Manager.

No reply is necessary, but I think one might be sent to the effect that the S. of S. is disposed to agree that the levy may be removed, but will await the views of the Council.

J. S. O. 27.4.35.

* But there was a deficit, of an amount that Renewals provisions (not up to the life basis) was necessary, and that deficit (on a proportional basis) was not wiped off till the end of November 1934.

Gen. J. Moffey.

Please see minutes on 23.4.35 in 23295/34, & 23.4.35 in that file.

and on the formal approval of the remission of the levy, subject to the recommendation of the Railway Council. There can be no talk of retrospective effects if there had been a levy to deficit would be...

W.C.D. 29.4.35

29/4

one

1. apur
M.H.
8/5

At a consideration in Sir C. Bottomley's room this morning, Sir J. Byrne stated the necessity for the removal of the levy. He mentioned, however, that it is quite possible that the Railway Advisory Council will ^{not} recommend remission. In the circumstances perhaps it would be better to await the Council's recommendation before communicating the L.G.'s views.

C.A. From with 15/5/35

1 apur. B.V. when we hear the recommendation of the R'y Council.

(It was agreed that we were under no obligation to consult Treasury before remitting this particular item of revenue)

Sir J. Moffat.

To see. I see as born in writing - indeed, if as reported the provisional decision is taken out, the matter would be considered.

Y. West
J.M.
16/5
16/5

2. H. Com. Transport Tel of Prof. 114th June 35.
States that Rly Council has unanimously recorded with-
drawal of salary levy from 1st July 1935, & that he proposed to inform
this recd. Request tel. reply as soon as possible.

Sir C. Bottomley

See minutes above. I think we can
reply as per telegram herewith. The Council was unanimous
Sir J. Byrne to whom I showed this fully agrees. He
says he fears it will discourage the Kenya officials
still more but that can't be helped.

S.C.G. 7/2/35
14.6

5.5.35. 14.6.

W. West
J.M.
16/6

3. Tel to H. ler., Kenya Ltr no 7 15/6/35

Personnel
R83/10/10
Noted on
20/4/35/2/35/10/10

J.M.

DESTROYED

H.C. Trans. 69 19 July 35.
STATUTE Trans. copy of supplement to Official Gazette
containing an Order under the Ordinance.

The removal of the Levy applying
of course to the Marine Staff
as well as to the Army Staff
of the R.A.F.

? Put by
C.A. Gwynne
19.10.35.
L.B. Franks
19.10.35

SM

Extract from Supplement No. 26 of 2.7.35
of Marine Official Gazette.

(attached in a separate sheet, on 38040/35 (P.C. 107))

Put by
(See No 4) C.A. Gwynne
23/10/35
at once

SM

DESTROYED UNDER STATUTE

Requires early approval of the issue of a
proclamation retaining the operation of the Levy
in Official Salaries Ordinance (No. 57 of 1931) up to
31st Dec. 1936

In the present circumstances it is
clear that the Levy should be
retained in 1936. If, as
a result of anything in a Plan
may recommend, removal of the
levy becomes possible, it can
be removed at any time by
Proclamation.

? Approve the issue of a
Proclamation retaining Ordinance
No. 57 of 1931 in force up
to the 31st December 1936.
Draft bet. here with C.A. Gwynne
16/11/35.

L.B. Franks
16

I am very sorry about this but it can't be helped
I fear.

J.S.W. Flood
16.

C.A. Gwynne
18/11

C.A. Gwynne
18/11/35

W.C.H.
18/11/35

There is no help for it.
at once

To Gov. Tel No 329. 6 ans - 18/11/35

DESTROYED

INDIA STATUTE

See below

293 to no 6 Personnel

20489/35 dated on 20/8/35

Handwritten mark resembling a stylized 'D' or 'B'.

AIR MAIL



38095/35

GOVERNMENT HOUSE
NAIROBI
KENYA

6
6

KENYA
No. 571

RECEIVED
75 NOV 1935
C. O. DEPT

6 November, 1935.

Sir,

7/22295/34

4/173020/31

With reference to your predecessor's telegram No. 290 of the 28th November, 1934, approving the continued operation of the Levy on Official Salaries Ordinance (No. 57 of 1931) up to the 31st December, 1935, I have the honour to inform you that it has only been possible to balance the draft budget in respect of the year 1936 on the assumption that the Ordinance will be in operation throughout next year and will provide for a levy on salaries at the present rates.

2. Since there would seem to be no possibility of any major revision of the draft budget being made before the end of this year in the light of the present visit of the Special Financial Commissioner to the Colony, I shall be glad to learn as early as possible whether you are prepared to approve the issue of a proclamation in due course retaining the Ordinance in force up to the 31st December, 1936.

I have the honour to be,

Sir,
Your most obedient, humble servant,

BRIGADIER-GENERAL,
GOVERNOR.

Quid (3)

THE RIGHT HONOURABLE
MALCOLM MACDONALD, P.C., M.P.,
SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET, LONDON S.W.

AIR MAIL

KENYA
No. 571



38095/35
GOVERNMENT HOUSE
NAIROBI
KENYA

6
6

RECEIVED
15 NOV 1935
C. O. DEPT

6 November, 1935.

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7/22295/34

4/17302C/31

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Am d (3)

I have the honour to be,
Sir,
Your most obedient, humble servant,

BRIGADIER-GENERAL,
GOVERNOR.

THE RIGHT HONOURABLE
MALCOLM MACDONALD, P.C., M.P.,
SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET, LONDON S.W.

C. O.

R297

38095/35 Kenya.

37

Mr. ~~Field~~ 14.6

Mr.

Mr.

Mr. Parkinson.

Mr. Tomlinson.

X Sir C. Bottomley. 14.6

Sir J. Shuckburgh.

+ Permt. U.S. of S/19/35 *arrive*

Parly. U.S. of S.

Secretary of State.

C. D.	
R	15 JUN
B	156

*boxed & sent
1.15 pm
15/6/35
W.H.G.*

170

707

Your telegram No 9 shortly.

agree to withdrawal of Railway
salary levy as from 1 July as
unanimously ^{advised} ~~approved~~ by Railway
Council and approved by you.

DRAFT.

*code
tel*

Higl coma

Nairobi

FURTHER ACTION.

2
8

RECEIVED
FOR REGISTRATION
14 JUN 1935
O. S. REGY

Telegram from the High Commissioner for Transport Kenya and Uganda Railways to the Secretary of State for the Colonies Dated 14th June 1935. Received at 12.2 pm. 14th June 1935.

NO 4
23395/3H

No.9 confidential Your telegram No.10 confidential of 26th of October and my despatch of the 13th March. Railway Council considered the question of salary levy at the last meeting and unanimously recommended its withdrawal from 1st July 1935. I am proposing to approve this minute and wish to make reference to it in my speech to the Legislative Council on the 26th June. Further representations may be made from Railway staff asking for withdrawal from earlier date. Though financial situation might be held to justify withdrawal from 1st January 1935, on the information before me at present I think 1st July a reasonable compromise and this date was unanimously approved by all members of Council. Trust you will reply by telegraph as soon as possible. Have informed BYRNE of this position.



1
9

TRANSPORT
KENYA-UGANDA
CONFIDENTIAL

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

RECEIVED
10 APR 1935
C. O. REGY

13th March, 1935.

Sir,

No 2. I have the honour to refer to paragraph 3 of my
23324/34 Reserved despatch No.133 dated the 6th December 1934,
regarding the salary levy on servants of this Administra-
tion and, with reference to your Confidential telegram
No.10 of the 26th October 1934, in which you state that you
NO 4. will be ready to consider the matter further when the final
23295/34 results of the 1934 year's working are available, to enclose
herewith a memorandum submitted by the General Manager, at
the last meeting of Railway Advisory Council, to the Council,
showing the financial results of working for the year 1934.

2. From this memorandum it will be clear that after
meeting the loss of £41,595 in respect of Harbours, there was
a net surplus of £344,654 on the working of the combined
services, and that this surplus enabled the balance of the
accumulated deficit, as at the 31st December 1933, of
£317,946 to be entirely cleared and also admitted of the sum
of £26,708 being transferred to the credit of the Reserve
Account. The figures given above are subject to audit but
it can be taken that little, if any, variation in these
figures will be necessary as a result of audit.

3. I am arranging for the Railway Advisory Council to
reconsider the question of salary levy on Railway servants as
a result of the figures for last year's working, at their

next.....

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

next meeting, probably early in June, and I have informed the General Manager that in my opinion the financial position of the Railway is no longer such as to warrant a continuation of the levy.

4. The General Manager has for some time pressed that the levy on salaries of servants of this Administration should be remitted with effect from the 1st January of this year, since it was introduced as an emergent measure only to meet a financial crisis, and the results of last year's working show that the financial position of the Administration is no longer such as to justify its retention, and he informed me that the continuation of the levy would, in his opinion, have an adverse effect on the spirit and goodwill of Railway servants of many grades, particularly those drawing a low rate of salary. In support of his contention he has forwarded me copies of a letter dated the 24th January 1935 from the Railway Asian Union and letters, dated the 23rd January and the 27th February, from the European Civil Servants' Association (Railways and Harbours section) and of the replies which have been sent to these Associations. Copies of this correspondence are attached.

5. I myself agree with the General Manager in thinking that the levy on Railway staff is no longer justified by the financial position of the Administration and consider that a continuation of the levy is likely to result in an undue strain being placed upon the loyalty and spirit of co-operation of some sections of the Railway staff, particularly those who are engaged in the lower paid technical posts, many of whom have been previously members of one or other of the different Railway Trades Union organisations. Staff of this nature are on agreement.....

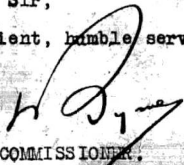
agreement only and should conditions generally improve would be likely, if they considered they had any grievance against the Administration, to obtain employment elsewhere, thus placing the Railway management in an unfortunate position, for the obtaining of suitable staff is not easy even now when conditions are generally depressed but it would become much more difficult should the position as regards employment substantially improve.

6. A further despatch will be forwarded to you as soon as the position has been examined by the Railway Advisory Council.

I have the honour to be,

Sir,

Your most obedient, humble servant,



HIGH COMMISSIONER.

FINANCIAL RESULTS OF WORKING - 1934.

For the information of Members of Council, the following figures, which are subject to audit, showing the estimated results of working for the year 1934, as compared with the figures embodied in the approved Estimates for that year, are quoted:-

	<u>ACTUAL RESULTS</u>			<u>ESTIMATE</u>		
	£	£	£	£	£	£
Railway Earnings			2,227,285			1,987,000
Railway Ordinary Working Expenditure		994,287			1,023,043	
Contribution to Renewals Fund		336,047	1,330,334		325,695	1,358,938
Balance carried to Set Revenue Account			696,951			628,062
<u>NET REVENUE ACCOUNT</u>						
Interest and Loan Redemption Charges		614,003			619,377	
Write-off of Dead Assets and Write-down of Stores			18,262			7,000
Stocks			632,265			626,377
<u>LESS:-</u>						
Levy on Salaries	25,450				24,000	
Interest on Advances and Cash Balances	62,173				30,000	
Appreciation of Investments	35,963				-	
Miscellaneous Transactions	26	121,563	510,702		54,000	572,377
Surplus on Railways			2386,249		(Surplus)	255,685
Loss on Harbours			41,595		(Loss)	53,205
TOTAL SURPLUS			<u>2344,654</u>		(Surplus)	<u>2 2,480</u>

2. This result represents an improvement over the Estimate of £242,174.

3. The amount brought forward in the Deficit Account from the 1933 Accounts was £317,945 and after clearing this amount, a sum of £23,708 is carried forward to the Reserve Account.

COPY

8th December, 1934.

SPG.34/4.

The Chairman,
The European Civil Servants' Association of Kenya,
Railways and Harbours Section,
P.O.Box 21,
Nairobi.

Dear Sir,

Levy on Salaries

In reply to your letter of the 30th ultimo, regarding the salary levy, I have to inform you that this question will come up for review towards the middle of 1935, after the final accounts for 1934 have been completed and reviewed.

Yours faithfully,

(signed) G. D. RHODES

GENERAL MANAGER.

14
EUROPEAN CIVIL SERVANTS' ASSOCIATION.

(RAILWAYS AND HARBOURS SECTION)

P.O.Box 21,

Nairobi.

23rd January, 1935.

The Hon. the General Manager,
Nairobi.

Dear Sir,

At a recent Committee Meeting of the above Association it was unanimously resolved that in view of the fact that a sum of money in excess of the levy (the levy being approximately £25,000) was available at the end of 1934 for transfer to the Reserve Account of the Railway Administration, that the present levy on salaries should be immediately removed and that it is equitable and just that a refund of the levy paid during 1934 should be made. It is respectfully pointed out that the transfer to a reserve account of money which has been deducted from paid servants, and the retention of such money in a reserve fund is economically unsound.

It is realized that the profit made by the Administration has only very recently been apparent and it is respectfully submitted that before any large reserve is built up the salaries of the staff should be restored to their standard levels. This request is made on behalf of 85% of the Railway Administration European Staff and it is hoped, Sir, that you will pass this application to a finality which it is considered will be to the benefit of the Administration and the Colony as a whole.

It would be appreciated if you could kindly give this Committee some indication of the present position in time for the General Meeting which is to be held on the 27th instant, as there is considerable apprehension in the minds of the staff on this question.

I have etc.

(signed) P. LE CHEMINANT

CHAIRMAN
C.S.A. RAILWAYS & HARBOURS SECTION.

COPY

25th January, 1935.

SPG.14/9.

The Chairman,
European Civil Servants' Association,
(Railways and Harbours Section),
P. O. Box 21,
Nairobi.

Dear Sir,

Levy on Salaries

I am in receipt of your letter of the 23rd instant, and, while I note what is stated, I can at the moment add nothing to what is stated in my letter SPG.34/4 of the 8th December last.

Yours faithfully,

(signed) G. D. RHODES

GENERAL MANAGER

KENYA AND UGANDA RAILWAY ASIAN UNION.

P. O. Box No.1270,

NAIROBI.

24th January, 1935.

The Hon. General Manager,
Kenya and Uganda Railways and Harbours,
Nairobi.

Sir,

re: Levy on Salaries

Further to my letter of 26th February 1934, and your reply thereto No.SPG.34/1 of 6th March 1934, I beg to state that this matter was again discussed in the last meeting and I am directed by my Committee to represent the following points for your consideration.

That at the time when the levy was imposed, the Railway finances were such that the staff loyally accepted the sacrifice, which, it was stressed at the time and has since been reiterated, was to be of a "temporary nature".

With regard to the deficit mentioned in your letter quoted above, I am directed to state, that from the published earnings it appears that there must be a large surplus on the working for the year 1934 and in case the amount to be placed to "Reserve" exceeds the amount recovered from the staff by means of the levy, it is the view of my Committee that such recoveries from 1. 1.34 must in equity be refunded and that further levy now being recovered be immediately removed, as in our opinion, cuts from sanctioned salaries and wages cannot justifiably be used for building up reserves.

You, Sir, we are sure, will agree that the splendid results could only have been achieved by the whole-hearted cooperation, zeal and loyalty of the whole of your staff, and we trust that our request will receive your strongest support.

Given a continuance of the same loyalty, the present year, keeping in view the published reports on the Uganda cotton crop and the very optimistic pronouncement of H. E. Sir J. Byrne in regard to Kenya Colony, should result in a large amount being available to augment the Reserve. The future prospects, Sir, cannot prevent a fair decision being arrived at, in respect of our request, which moreover we conceive to be only justice to your staff.

I am further directed to point out, Sir, that for several years there has been shown in the Administration's Capital Account a sum of £442,327 under working Capital Stores and this amount we beg to suggest is nothing less than a "Reserve".

Thanking you in anticipation of a favourable decision.

I have etc.

(signed).....

Hon. General Secretary.

SPG.14/9.

The Hon. General Secretary,
Kenya & Uganda Railway Asian Union,
P.O.Box 1270,
Nairobi.

Dear Sir,

Levy on Salaries

I am in receipt of your letter of yesterday's date, the contents of which I have noted.

At the moment, I can only say that this question will come up for review towards the middle of this year, after the final accounts for 1934 have been completed and reviewed.

Yours faithfully,

(signed) G. D. RHODES

GENERAL MANAGER.

COPY

THE EUROPEAN CIVIL SERVANTS' ASSOCIATION OF KENYA
(RAILWAYS AND HARBOURS SECTION)

P. O. Box 21,
Nairobi.

27th February, 1935.

The Hon. General Manager,
Nairobi.

Sir,

In further reference to your SPG.14/9 of the 25th January 1935, and our letter of the 23rd idem, it is noted that the final accounts for the year 1934 show that a sum of £26,708. 4.99 has been transferred to the Reserve Account. This Committee accordingly are unanimous in reiterating that the imposition of a levy is no longer warranted and request that it should be abolished forthwith.

The final figures also prove that there was in fact no necessity for the levy in 1934 as illustrated by the contribution of £25,097 compared with the transfer of £26,708 to Reserve Account, and the staff are unanimously of the opinion that refund of the levy should be made as from the 1st January 1934.

You will no doubt recall that in your Budget speech in Legislative Council on the 3rd of December 1931, you stated:

"Under present conditions this levy will be loyally accepted by the staff of the Administration but I am, I think, justified in making this point - that the introduction of a principle of this sort renders it more incumbent upon the Railway Administration to see that its business in future is conducted on sound railway lines rather than what may be described as political lines."

The profit for the year 1934 amounted to £344,655, and this position is being more than maintained vide the Approximate Traffic Return for the week ending 23rd February 1935 which shows that the earnings to date exceed the earnings for the corresponding period of 1934 by £62,598. It is, therefore, apparent that the conditions referred to in your speech no longer exist and the staff are unanimously of the opinion that the Administration should remove the anomaly of a levy on staff salaries, which, while being loyally accepted in 1932 and 1933 can now but be considered in the nature of an imposition.

In this connection, we note your opening remarks regarding the levy at the Annual General Meeting in January

last.....

last wherein the question of building up a Reserve Fund for the ultimate reduction of rates was mentioned as a means to assist the country generally. While agreeing with this principle, it is the considered opinion of this Committee that, while there may be some justification for a levy on staff salaries during a period of extreme depression, in order to make ends meet, an impossible situation will be created if the salaries of staff are to be appropriated as and when it is desired to make rates reductions more especially during a period when large profits are being made, and this Committee request that immediate representation be made to the Secretary of State for the Colonies for the removal of the levy with retrospective refund from the 1st January 1934.

We summarize our grounds for this request as under:

- (a) That the intention of the levy was that it was a temporary hardship to assist the Administration to wipe out a deficit.
- (b) That it is apparent from the result of the 1934 working that there was no justification for the levy during 1934.
- (c) That a policy of continuance of the levy for the purpose of building a Reserve Account is unsound.
- (d) That a refund and discontinuance of the levy would definitely assist the Colony by circulating in the Colony a considerable portion of such refund.
- (e) That such refund and discontinuance would also assist the Colony by sounding a note of confidence.
- (f) That the staff having loyally accepted the levy whilst there was need for it, now look to the Administration to perform its part of the bargain by removing such imposition as from 1st January 1934.

I have etc.

(signed) P. LE CHEMINANT

CHAIRMAN,

EUROPEAN CIVIL SERVANTS' ASSOCIATION OF
KENYA
(RAILWAYS AND HARBOURS SECTION)

COPY

28th February 1935.

SPG.14/9

The Chairman,
European Civil Servants' Association,
(Railways and Harbours Section)
P.O.Box 21,
Nairobi.

Dear Sir,

Levy on Salaries

Please refer to my letter No.SP.G.14/9 dated the 25th
January 1935.

The position is fully understood by me and by the High
Commissioner.

The submission of further letters on this subject is
quite unnecessary and is likely to hinder rather than assist
the consideration of this problem.

Yours faithfully,

(signed) G. D. RHODES

GENERAL MANAGER