

1938

38371

CO 533/500
KENYA

38371

Lord Francis Scott.

Discussion with -

Previous

su 38300/37

Subsequent

297 2/6

Mr. Dawe 2.6

M. Boyd 2/6

Mr. Dawe 15/6

SIR C. BOTTOMLEY 15.6

Sir Charles... 15/6

S/S. 17.6

Sir C. Bottomley 20/6

Sir C. Bottomley 20/6

Mr. Dawe 16.6

297 8/7

CA(308) 15/7

98

a. nominal 1. Lord Francis Scott (to S of S) — 24 5 38 2
 looks for interview to discuss Kenya affairs in
 particular E & White Highlands O. in C. (C) Income
 tax (C) repayment of only cost of legs Rly (C) future of
 the re-organisation of Secretariat
 2. Lord Francis Scott 1 card — 25 5 38
 3. Lord Francis Scott — 27 5 48
 will attend interview on 16 June looks to be
 without effect of any developments.
 Mr. Rowe.
 4. Lord Francis Scott 3 cards — 31 5 38

~~DESTROYED UNDER STATUTE~~

~~DESTROYED UNDER STATUTE~~

~~DESTROYED UNDER STATUTE~~

I attach a copy of correspondence with
 Lord Francis Scott, regarding his seeing Mr. MacDonald
 after the Whitsun recess to discuss various Kenya
 matters. In his letter of the 24th of May,
 Lord Francis Scott names five points in particular
 which he would like to discuss, and Mr. MacDonald
 would be grateful if the Department would let him have
 in due course brief notes on these. Mr. MacDonald has
 also undertaken that I should keep Lord Francis Scott
 informed if any important developments take place in
 the meantime as regards any of these matters, and
 perhaps I may be told if I am to say anything on these
 to Lord Francis Scott.

G. Gray
31.5.38.

See on green slip
 Attached.

M. Boyd.

Please see (d) in
 Lord Francis Scott's list in (1)
 — 'future of Tanganyika'. Could

You have a brief note on that prepared for the S. J.S. in due course - and in the near time return the file to me for further action on the other points?

A. J. Dawe
2.6

I have sent a note on this to L. Parnell accordingly

J. J. Parnell
1/6/38

I now annex notes on Income Tax, the £5½ million railway loan, & the reorganisation of the Government. As regards the security of the Highlands, I have minutes on 38005/38. As regards the future of Tanganyika, a note is being sent on separately.

J. J. Parnell
15/6

Sir C. Bottomley.

I submit notes for the Secretary of State's interview with Lord Francis Scott which has now been arranged for 4.30 p.m. on Friday, 17th June.

The subjects which Lord Francis proposed for discussion were:-

- (1) The White Highlands question.
- (2) Income Tax.
- (3) The Railway 5½ millions.
- (4) The future of Tanganyika.
- (5) The reorganisation of the Kenya Secretariat.

I annex to this file memoranda prepared in the Department on (2), (3) and (5). A minute by Mr. Paskin on (1) will be found at green flag in 38005/38 below. A note by Mr. Boyd on (4) is in the box below.

I have been wondering whether it would not be a good thing for the Secretary of State to refer at the interview to the difficulties and criticism which he has recently been experiencing about labour conditions in Kenya. It may be that if the Secretary of State impressed these difficulties upon Lord Francis he might help in Kenya by exercising a moderating influence upon the opposition which the settlers would no doubt display to proposals for more liberal legislation.

A. J. Dawe

15.6.38.

W.S.
15.6.38.

15.6.38

The Bill was then tried before
 my Lord F. Scott this afternoon,
 & he later than the Duke of Devon
 was important points raised.

W. J. P. D. 1938
 I should like
 to know what
 they were
 and
 copy of the deft
 note sent to Sir
 C. Parkison.
 W. J. P.

Strong
 17.6.38

I annex a note of the
 interview as approved by
 the S. of S.

- extracts reqd as follows:-
 38005/38 - Land Commission
 38004/38 - Income Tax
 38179/38 - Reg. debt
 38217/38 - Re organ of
 Agricultural
 - Rev. of secondary
 industries
 Acom

Extracts should be
 placed on the relevant
 files.

This extract
 has been sent
 to R. G. Leon
 for sign.

M. Clarkson to see
 here. 2. of the note.

Wm
 W. J. P. D.
 26.6

W. J. P. D. 9. To Sir Arch. Brooke-Popham from S of S - 17.38.

The bill was then tried by
jury last F. Scott this afternoon,
and later this AM Dave & K
were up at court pits said

Not Done

I should like
to know what
they were

copy of the def-
note sent to Sir
C. Perkins.

U.S.

Shrag.
17.6.38

I annex a note of the
interview as approved by
the S. of S.

- extracts regard as follows:-
- 38005/38 - Land Commission
 - 38004/38 - Income Tax
 - 38179/1 of 38 - Key debt
 - 38217/38 - "Re organ" of
"Structural"
"Kind of secondary
industries"

Extracts should be
placed in the relevant
files.

M. Clarkson to see

This extract
has been sent
to R. G. Conn
for sign.

para. 2. of the note.

Wm
A. Dawe
26.6.38

1 To Sir R. Brooke-Popham from S of S - 17.38

Extract from letter from the Secretary of State
to the Governor of Kenya, dated 1st July, 1938.

* * *

Francis Scott came to see me recently and we had a certain amount of general talk. I enclose a note which I had made of the discussion and, apart from the topics mentioned in it, there is nothing of substance for me to report to you about what took place. He referred to the draft legislation which is being prepared to carry out the recommendations of the Lands Commission. I told him that I had recently approved the drafts and understood from you that the Bills will be brought before the Legislative Council at the forthcoming session. He inquired what had been done about the unofficial membership of the Executive Council, and I informed him about the appointments which you have made. He also mentioned the question of the Liebig Factory. I had not, at that time, received confirmation of the news that the factory has unfortunately had to close down. But I told him that I understood and shared your anxiety about soil erosion, and that I was fully prepared to back you up in the measures which you are taking in grappling with this thorny problem.

* * *

Note of Interview between Secretary of State
and Lord Francis Scott on 17th June, 1958.

1. White Settlement.

Lord Francis Scott inquired whether, if a scheme for settlement assisted by Government funds was worked out locally, the Secretary of State would regard it with favour. The class of settler which such a scheme would be designed to attract would be not public school boys but farmers' sons. The Secretary of State said that he could not commit himself to approval of a scheme as his attitude must depend upon the nature of the proposals put forward. The scheme would have to be considered on its merits. But if a scheme were put forward with the Governor's support he would certainly approach it with an open mind, and he felt favourable in principle.

2. The Establishment of Secondary Industries in Kenya.

Lord Francis Scott inquired what would be the attitude of the Secretary of State towards proposals for establishing in Kenya secondary industries. The Secretary of State said that the general attitude

here

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here had been that Government should not encourage the establishment in the overseas dependencies of industries which would compete with the United Kingdom. But this was a general conception which might be overridden in particular cases. The policy had been by no means rigidly applied with regard to the Dominions; and, although in the case of a young Colony the arguments for exceptional treatment might not be so great, the Secretary of State would nevertheless not rule out the possibility of assisting, so far as it lay within the province of Government, the establishment of secondary industries in Kenya. But here again everything must depend upon the merits of the particular proposals put forward.

3. The Railway Debt.

Lord Francis Scott stated that he assumed that the Colonial Office ranged itself wholeheartedly on the side of remission, as recommended by Sir Alan Pim. The Secretary of State intimated that whilst they would

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be ready in the Colonial Office to do their best for the Colony, he did not think the problem was quite so easy as that. He anticipated a great deal of difficulty vis-à-vis the Treasury on this question. They undoubtedly had a good case for some repayment and in view of the re-armament expenditure this was the worst possible time for asking Parliament to forgo the claim. After some discussion Lord Francis Scott intimated that he quite understood that some repayment might have to be made. He thought, however, that it should come from the Railway and not from the Kenya Government. Lord Francis Scott inquired whether, as a matter of tactics, it would be best for them in Kenya to start off with a refusal or with a suggestion for compromise. The Secretary of State said that it was not for him to express a view on this. Possibly it would be expedient to start with a proposal for complete remission, and later to make a compromise proposal; but that was a question for them in Kenya to decide themselves. The question had been referred to the Governor and he was awaiting the Governor's answer.

Secretariat re-organisation.

In order to overcome the congestion in the Kenya Secretariat, due to the fact that the only channel of communication with the Governor was through the Colonial Secretary, Sir Alan Pim recommended the re-organisation of the Secretariat to provide three Secretaries (Colonial, Financial, Native Affairs), each of whom would have direct access to the Governor and would be in charge of a group of departments.

See plan (E)
under No.3 on
38297/38.

The re-organisation, which was finally approved in May this year differed from Sir Alan Pim's scheme:

(1) in retaining the post of Chief Native Commissioner with present salary, but with executive authority which he had not hitherto had, instead of immobilizing him by charging him, as Secretary for Native Affairs, with the supervision of a number of departments, the work of which has no relation to his primary functions: (2) in consequential changes in the grouping of departments proposed by Sir Alan Pim: and (3) in retaining the post of Deputy Chief Secretary who will act either for the Chief Secretary or for the Chief Native Commissioner when they are on leave.

So far as the Department is aware this revised scheme is acceptable to the European Unofficial Members, and it is therefore not clear what aspects of the matter Lord Francis Scott wishes to discuss. It may be that he merely wants to know whether the proposals have been approved.

There

There is one important respect in which the re-organisation as approved differs from the proposals ~~based~~ ^{set forth} in the ~~report~~ ^{report} put forward by the Governor.

The Governor recommended that the Financial Secretary, as a corollary to his general responsibility as Principal Financial Adviser to Government, should replace the Colonial Secretary as Chairman of the Standing Finance Committee. The view taken in the Colonial Office, however, and expressed in Lord Harlech's Confidential despatch of the 16th of May, was that the Colonial Secretary (whose title has now been changed to "Chief Secretary") should continue to be the Chairman for the following reasons:-

- (1) Because the Standing Finance Committee is a body of such importance that it is fitting that its Chairman should be the principal officer under the Governor.
- (2) Because financial questions loom so much in relation to the general policy of Government that if the Chief Secretary were replaced by the Financial Secretary there would almost inevitably be a tendency for the status of the former to be depreciated in the public estimation.
- (3) Because there are advantages in the dissociation of the Chairman from the rôle of chief Government protagonist on the matters before the Committee.
- (4) Because if the Chief Secretary ceased to be a member of the Committee it would be necessary to appoint another Government member; and there is no officer whose appointment to the Committee would adequately off-set the removal of the Chief Secretary.

Although Lord Francis Scott cannot yet be aware of the contents of the Confidential despatch conveying this

decision

ll on 38297/38.

No. 11 on 38217/38.

decision to the Governor, there does not seem to be any reason why he should not be told.

Clouez *Clouez* 11/6

99 *Passini*
13/6

38054/38

Income Tax.

Income tax was imposed in 1937, following the recommendation of Sir Alan Pim, in the face of great opposition from the Unofficial Members. ~~The agitation against the tax was in danger last autumn of considerably hampering Government, if not of engendering a first class political crisis.~~

Lord Francis Scott and Major Grogan who, although opponents of income tax, were anxious that a more soothing atmosphere should be restored, suggested to the Governor, who passed on the suggestion to Lord Harlech, that he, the Governor, should be authorised to make an announcement to the effect that the decision as regards continuation or abolition of income tax would be made by the Governor when he was satisfied that sufficient ^{experience of its operation had been gained to enable} ~~facts and figures were available from which to draw~~ correct conclusions ~~to be drawn~~. This suggestion was not accepted, it being explained to Major Grogan by Lord Harlech at an interview, and to the Governor for transmission to Lord Francis Scott, that no Secretary of State who remained responsible to Parliament was in a position to give such an assurance. Lord Harlech, however, told Major Grogan that he was prepared to have the working of income tax examined by an absolutely impartial outside enquiry after the experiment had been given a fair trial. ('Fair trial' was understood to mean two or three years.) The Income Tax Ordinance only came into full operation last July and up-to-date ~~only~~ ^{only} the results of the first six months' working are available. On the 26th of April, however, it was reported in the "Times" that a motion

1 on
38054/4/37.

Nos. 3 & 4 on
38054/4/37.

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motion was put down in the Legislative Council that day on behalf of the European Elected Members that a specific ad hoc committee should be appointed to enquire into the operation of the Ordinance with wide terms of reference.

Clayton White
11/6/35

Lord Francis Scott may, or may not, be aware that a difficulty has arisen in connexion with the arrangements for relief of double income tax. The position is that, owing to certain complicated technicalities, which I need not specify, it has been necessary for both the U.K. and the Kenya income tax (totalling 7/- in the £) to be deducted from the dividends paid in this country by the East African Power and Lighting Company. As a consequence the Company is finding great difficulty in raising further capital, and the Governor is afraid that unless some means can be devised whereby only the U.K. tax ~~is~~ ^{may} need be deducted (thus avoiding the necessity for the individual shareholders to claim double taxation relief) these difficulties will lead to an accentuation of the agitation for the repeal of income tax in Kenya.

If Lord Francis Scott mentions this question he can be told that the question is under active consideration with the experts of Somerset House and that we are about to communicate with the Governor on the question of what can be done in Kenya to enable Somerset House to give the relief asked for by the Company. The question hinges on the personal allowances to Kenya

income tax payers who are not resident in Kenya.

JJ Passon
15/6.

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£5,500,000 Railway Debt.

In 1896 and 1900 sums, totalling about £5½ million, were voted by Parliament for the construction of the "Uganda Railway". The purposes in view at that time were not the development of the present Colony of Kenya, but the effective occupation of Uganda, its defence against attack by the Mahdi or the French, ~~and the~~ *suppression of the Slave trade, etc.* ~~and the~~ *continuance of the same measures.* That the investment would be commercially profitable was not expected.

p.p.239 et seq
of Sir A.Pim's
Report.

In 1921 and 1924, during discussions preceding the raising of loans for the development of Kenya, the question of this £5½ million came up with the Treasury. By the latter date it had become clear that the system whereby the Railway profits were absorbed by Kenya was both unfair to Uganda and also led to neglect of adequate maintenance of the line. The Treasury maintained that the net revenue of the Railway was due to the Exchequer, "but agreed that for ten years (i.e. until 1934) net revenue might be applied to Railway purposes and that no interest would be charged on the original advances. In 1924 the question was also examined by the Select Committee on Public Accounts, which reported:-

"The Colony so far has made no contribution towards the original cost of construction..... Committee would like to be assured that it is formally recognised..... that the Colony is indebted to His Majesty's Government in respect of the sum originally expended on the Railway....."

In reply, it was ~~stated~~ *eventually* stated by the Colonial Office in 1925 that "the liability for the repayment to His Majesty's

Majesty's Government of the sum originally expended on the Uganda Railway is definitely recognised".

31879/19/38.

In 1934, when the subject came up for discussion (as arranged in 1924) Kenya's finances were so precarious that it was again agreed to defer consideration of the matter, this time until 1938. In January this year the Treasury duly raised the subject again. Kenya is now preparing a full exposition of its views, which will no doubt be strongly against repayment. This attitude, which is in conflict with the 1925 admission of liability, has been taken by Sir Alan Pim in his Report (published in 1936 and generally accepted by H.M.G.) in which the hope was expressed that it would be found possible to relieve the Colony of the prospect of this heavy additional burden.

Clark White
11/6

J.P. Bassett
15/6

I think that it would be well to bring it home to Lord Francis Scott that complete remission of this debt, as suggested by Sir Alan Pim, would be a very difficult proposition. The Treasury will certainly stand out for partial, if not full, repayment: and they will have a good case for doing so. The Railway may have been built for Imperial objects, but the Treasury

attitude is that the Railway is an asset to the country and is making money, and that the motive for which it was created is quite irrelevant. They also argue that there is no question that the original advances were intended to be irrecoverable.

I annex a copy of the despatch in which this question has been referred to the Governor. So far no reply has been received, though a reminder was recently sent. It will be seen that the general tenor of this despatch is that some repayment will have to be made.

H. M. Dave

15.6.38.

As the memo shows, there was in and after 1914 a definite change of ideas from that of the U.K. being established to other purposes (Dr. Churchill in 1907 had admitted in the House that the line belonged to the U.K.) to that of paying most of debt. It was on the latter basis that Sir E. S. Briggs told the Legislative Council in 1926 that the debt had to be repaid etc.

W.S.S. 15.6.

*Mr. S. S. Davey, of
Colonial Council*



KENYA.

Downing Street,

CONFIDENTIAL.

22 February 1933.

Sir,

I have the honour to refer to Sir Joseph Byrne's confidential despatch No. 112 of the 13th of October, 1930, on the question of the repayment of the £5,500,000 provided by His Majesty's Government towards the capital cost of the Kenya and Uganda Railway.

2. As you are aware, this question is to come up for review this year: and the Lords Commissioners of the Treasury have recently requested that the matter may be brought under consideration forthwith. It will be necessary for Parliament to be informed in the course of the year of whatever conclusion is reached.

3. In his despatch under reference Sir Joseph Byrne indicated the readiness of the Kenya Government to present its case for the remission of the claim in greater detail should it be requested to do so in connection with the review of the matter which must now be undertaken. I should therefore be obliged if you could supply me with a memorandum setting out, from the standpoint of the Kenya Government, the case for remission, together with any observations which you may wish to offer. The earlier political history was set out in Sir Alan Pim's Report, and in the memorandum of which a copy was enclosed

in

GOVERNOR,

AIR CHIEF MARSHAL,

SIR ROBERT BROOKE-POPHAM, G.C.V.O., K.C.B., C.M.G., D.S.O., A.F.C.,

etc.,

etc.,

etc.

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in Sir Joseph Byrne's despatch under reference: and it will not be necessary for those aspects to be re-stated in the memorandum unless you think it desirable for any of the historical arguments to be further elaborated. I would observe, with respect to paragraph 17 of the memorandum forwarded by Sir Joseph Byrne, that I fear that it would not be possible to sustain the argument that "it is no more logical for the Imperial Government to demand repayment of the original grants for the Railway than it would be to demand repayment of the Grants-in-Aid". The "admission" of the Treasury concerned only the period when the East African Protectorate was dependent on the Home Government.

4. It would be of assistance if, either in your covering despatch or in the memorandum, you could include comment on the following matters:-

(i) If it is decided that some payment should be made to the Imperial Treasury, should any portion of the liability fall upon Kenya Government funds as distinct from those of the Railway Administration? If so, what steps would you suggest should be taken to apportion the liability?

(ii) Assuming, purely for the sake of argument and example, that a compromise was decided upon under which a liability for the repayment of, say, £3,000,000 fell upon the Railway Administration or upon the Kenya Government and the Railway Administration jointly, what arrangements would you suggest should be made for meeting and eventually extinguishing that liability?

(iii) What would be the financial effect upon the Government of Kenya or upon the Railway if it

was decided that such a liability should be assumed? How, for example, would the general financial policy of the Railway be affected in respect of the maintenance of the funds for renewals and betterment and of the general reserve?

(iv) The liability for the repayment to His Majesty's Government of the £5,500,000 was definitely recognized in 1926. That admission of liability remains. But any view of the matter on the broad political plane has now to take into account the published recommendation in paragraphs 402 and 403 of Sir Alan Pim's Report that remission should be favourably considered. To what extent do you consider that the situation has been affected by that recommendation? What, in your opinion, would be the political effect in Kenya at present of a settlement under which some measure of repayment either by the Railway or by the Kenya Government or by both was decided upon?

5. I wish to make it clear that I put the above questions simply in order to clarify the situation and to assist you in preparing material, and that I have no wish in any way to limit your freedom of comment. Pending the receipt of your observations I shall keep an open mind on the subject. I am anxious to achieve a settlement which will take full account of the necessities of Kenya and of the Railway. But in view of the heavy burdens at present borne by the Imperial Exchequer you will appreciate the difficulty inherent in proposals for remission of the liability.

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

1927

May 24 1938

15, CUMBERLAND TERRACE,
REGENT'S PARK, N.W. 1.
WELBECK 8550.

Dear Mr. MacDonald

I trust you will forgive me writing to you, as I have never had the privilege of meeting you, but an very anxious to have an opportunity of discussing some very important matters with you, if you can find time to see me.

I am with yours truly
Blackburn Grove at the
Royal Exchange & I think
Harlech & de la War would

worth for my respectability!
The questions I should like to discuss if possible are as follows:
(a) The Security of the White Highlands & order in general about it.
(b) income tax in Kenya.
(c) The demand by the Treasury for repayment of original cost of Uganda railway, which was built for strategic reasons by the Imperial Govt, & the payment for which we have consistently been assured would never be demanded, from the days of Lord Harcourt to Lord Curzon (personally to myself).

15, CUMBERLAND TERRACE,
REGENT'S PARK, N.W.1.

WELBECK 2222.

42022/28

(d) the future of Tanganyika which is of course vital to us in Kenya, & in fact to all British Africa.
e) the reorganization of the Kenya Secretariat.
I am afraid this is rather a formidable list, but I have been asked by my colleagues in Kenya to try & see you about them, & Harlick had promised to see me when I came to England before

his father did.

With many apologies for
being a nuisance, but I hope
you can realise that these
matters are of great importance
to us in Kenya.

Yrs sincerely

James Scott
