No. 15006

Part I.

Previous

Subsequent

FILE C.

comments on general financial position, and work out loan question in detail. Requests early reply intimating approval to additional items of expenditure.

Loan Requests 9 Jan 1928

[illegible]

[illegible] of meeting of Sec. Road [illegible] recommends for [illegible] instalment of loan

[illegible]

[illegible] relevant portions of cost of application from Loan Block [illegible] relevant figures [illegible] proposals for Road [illegible] [illegible] scope.

[illegible]

1. [illegible] Loan [illegible] Road [illegible] Treasurer [illegible] [illegible] the whole [illegible]

[illegible] discussed with Treas. I submit [illegible] to the Treasury.

2. Obtd to Gov., Chairman & Treasury [illegible] submitted.

[illegible] Canal works [illegible] in the [illegible]
[illegible] Not [illegible] is [illegible]
[illegible] of proposed to the Treasury. It is then
[illegible] the subject of a charge in
[illegible] Other so far as it concerns Native
[illegible] (see 1031/27)

[illegible]

[illegible] £100000 of Nairobi road
[illegible] in the proposals in [illegible]
[illegible] to be [illegible] on the
[illegible] approval of the programme [illegible]
[illegible] as other revenue from
[illegible] balances.

[illegible]

[illegible]

[illegible]

[illegible] concerned the five [illegible]
Mr Ellis. Re the Chairman of [illegible]
third loan of nearly £5000, no offer
[illegible] the Chairman to lean to date
any expense to any [illegible]

GEB. 22.2.28

E. Stafford 23 [illegible]

10 To Treasury (w/Debs, 2,9 2-01/[illegible]/19)
8 To Treasury (w/Debs, 2,9 2-01/[illegible]/19)
9 To C.A. (no 2 and)

9/5/28

10 To Gov No 113 E8 FEB 1928 (No 97 m 10019/27 [illegible])
(with copy of 100 m X 10019 & 102 m)

Please write at X and as to the [illegible] 1/3/28

Sir Bottomley

[illegible] Treasury [illegible]
to give to the Treasury [illegible]
information we have done in
this letter of 28th [illegible] that
that they have got the £3,500,000
and that they [illegible]
[illegible] [illegible]
[illegible] what we do then, or
can we expect to be informed
of what works are being carried
out?

[illegible]

Sir Sidney

In 1924, when we got a decision that the ultimate ownership of (a) the Railway and (b) the capital cost of the original Uganda Railway should be brought up till 1934, the Treasury insisted that they should be [illegible] consumption [illegible] for the [illegible] over the [illegible] [illegible] claim [illegible] made up

R. Bottomley.

Many thanks. I ought to have remembered this. If they do try to interfere I think we must fight.

B.M.
21.2.28.

Mr Bottomley
I think you should see
[illegible]
B.M.

Mr Wheeler

Treasury offer to repeat as this represents the only financial claim — it is still late in the day: but future have been constantly in consideration & does not affect terms.

[illegible]

Uganda
[illegible] 1001

14

[illegible]

Enquiries whether interest on balance of old 3½ million loan will be available for purpose [illegible]

[illegible]

[illegible]

20/3/28

[illegible] thought the [illegible] intention [illegible] but [illegible] we [illegible] [illegible] [illegible] on [illegible]

W.C.S. 20.3.28

[illegible]

21 March 1928

Gov Kenya Tel. [illegible] 18th April 1928.

Treasury proposals as to loans after discussion with Mr. C. Strachey. Requests approval to recommendations in conf desp 130, proposals to finance Land Bank and utilisation of £92,314 for construction of Central Offices and Supreme Court Building.

(note 3 copy of the letter in chief file [illegible] letter [illegible] the [illegible] the [illegible] would be [illegible] and the [illegible] [illegible])

See brief note attached in reply to this telegram. I have discussed the matter with Mr. Bottomley and a writing to Mr. Ezechiel as in the attached note as a result of our discussion.

(No. 20 on file)

[illegible] (Treasury) [illegible] 1928

[illegible] secret [illegible] the proposals [illegible] (No. [illegible]

[illegible] position is that [illegible] £1,000,000 stock [illegible] that the Governor proposes to borrow a further £5,150,000 net, which he says will give him enough to carry him over till 1930 without fresh borrowing. As the Treasury have agreed to this figure I do not think that I need amplify it here, but if further figures are desired they will be found in my letter of the 13th of April to Mr. Waterfield of the Treasury.

The Treasury has not agreed to the recommendation of the Governor that Kenya should be allowed to borrow their [illegible] requirements [illegible] operations [illegible] the alternative [illegible] by the Treasury [illegible] the best [illegible]

[illegible] that when we proposed to make the loan last [illegible] we had wished to borrow £6,000,000, but the Governor of the Bank of England was [illegible] against consisting a limitation of £5,000,000 stock [illegible] recommended by Sir [illegible] advice. It would obviously have been impossible to press for a [illegible] £5,150,000 [illegible] particularly [illegible] on this occasion and the Treasury [illegible] that Kenya ought not to borrow more than £3,000,000 stock in one [illegible] [illegible] we now see the Treasury [illegible] to agree to the whole of the Governor's proposals [illegible] we are [illegible] to borrow [illegible] proposed last [illegible] £6,000,000 [illegible] since [illegible] done under the powers given by [illegible] existing [illegible] The Co[illegible] hopes advi[illegible] future [illegible] very favourable [illegible] to the market [illegible] they [illegible] to issue the loan on [illegible] [illegible] would [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

It will be noticed that in my proposed telegram to the Governor I do not deal with the detailed requests (b) & (c) at the end of his telegram. It has been arranged with the Treasury that we should write officially to them setting out the position as

28 To Governor Kenya Tel. No. 27 and [illegible] April 28

29 Treasury ---------- 20th April 1928.
Submits observations on Kenya Loan and requests views of the Governor and Secretary of State on the financial considerations advanced.

30. Gov. Cregg Tel. 94 ——— 27 April 28
Requests information on certain points.

I have read No 30 to the Executive Council this day and they have asked me to inform the Secretary of State that they are in complete agreement with the views expressed in the telegram of the Chairman of the Executive Council to the Secretary of State

[illegible]

31. To S of S [illegible]

32 [illegible] 95 [illegible] of [illegible] issue approved and as to cost of issue of the [illegible] loan

33 Colonial Agents ——— 20 April 28
Submits views on telegraphic correspondence (in form of draft reply from S of S)

Draft tel. [illegible] for cable [illegible] Governor's tel. of 27 Apl (Nos 30 & 31). The Cl. has [illegible]

Resumption of Loan with Treasury

Letter in No 29.

[illegible]

1/5/28

I have been through the S of S tel. with Mr Allan, & think that it is in order.

A C Parkinson
1.5.28

The Treasury are not really concerned with the Land Bank proposals if the Bank is to be financed from surplus balances. We may be certain that the interests for the S. of S. would [illegible] provisions. There is a proposal for some sort of scheme for Swaziland which is exercising the minds of [illegible] which we can suitably and [illegible] be welcomed by the Press [illegible]

[illegible]

34 [illegible] 2 [illegible]

35. to Executive Council (S.O.) 3 May 1928

36 Draft Prospectus
The Cl. agrees that [illegible] can be made [illegible] 14 May & I have [illegible] Davis that this is [illegible] of explanatory [illegible] to the S of S. [illegible] letter to Cl. Smith & [illegible]

answer this letter. Remind by [illegible] on 6 to 36.
J. Wilkie
7/5/28

All Parliament
6/5/28

37 To Gov. Ltr. 4 May '28

To G.G. (35 and) (in copies [illegible])

39 ——— Gov. [illegible] 7th May 28

Agrees to issue [illegible] provided £3½ million and £300,000 [illegible] for others on the proposed [illegible] the relevant [illegible] statement in legislating [illegible]

[illegible]

[illegible] standing in by the net amount [illegible]

[illegible]

[illegible] stock

[illegible] the net amount thus available is sold that can be allocated, subject of course to the provision created by Act 4. 22 of 1927) not being exceeded.

As to investment, it seems very doubtful whether in practice (whatever the related legal position under the debentures) the Govt. and the

Copy in No. 97 in A 1004/27

[illegible] on the provision from Loan £[illegible] for replacement from Pool of loan which appears to be in a somewhat special category. It was realised that the sum required under item [illegible] would be less than £3,000,000, but it was decided to insert £3,000,000 in the schedule (see No 63 in 1001/9/27) although, in view of Treasury letter of 25th Nov. 1927 (see No 79 in 1001/9/27) the sum named in the inspection for this purpose was only £3,300,000, the same particularly [illegible] on this item [illegible] of the [illegible] of 1927) — see No 34 in [illegible]

A certain contract [illegible] defence court, [illegible] £330000, for which some provision is contemplated in the near withdrawal of loan for £5,250,000, the Gov. might be able to get about [illegible] from surplus balances or else from advances out of the loan money now to be raised.

Mr. Lemmith —

In the opp. the opp. is equally

(34 answers) 4 May 1928

9 MAY 1928

See continuation file
Part II

Viceroy's provisions in section 3 of Ordinance No. 22 of 1927 in respect of this particular item.

Seen

Lord G. T. Harding.

Sir J. Shuckburgh.

Sir G. Grindle.

Sir C. Dawe.

Sir S. Wilson.

Sir G. Grahame.

Lord Lowe.

Mr. Amery.

DRAFT.

Telegram from the Governor of Kenya to the Secretary of State for the Colonies.

Dated 7th May, 1928.

(Received Colonial Office 8.5 p.m. 7th May, 1928.)

---

Important.

No. 107. 7th May Confidential Reference to telegraphic communications terminating with your telegram of 4th May.

I. In the circumstances of your telegram of 2nd May (and) your telegram of 4th May I agree to issue of £5,250,000 in two portions to produce £3,500,000 and £1,750,000. It was thought that issuing the first portion at a discount might have the effect of putting Kenya Loan in class of security 1927 issue being at a discount of only 10 shillings: I am glad to have your assurance that this will not be the case.

II. I observe in computing borrowing power(s) under Ordinance No. 22 of 1927 you have excluded amount of discount £219,533. It would however appear that Section 2 of Ordinance allows any saving on Item 3 of Schedule to (be) utilised on any other item of schedule. If this is the case available borrowing power(s) will in fact amount to £3,520,611 (made up as follows £3,300,328 your telegram 4th May £219,533 your telegram 4th May plus £8,750 being difference between £175,000 and £166,250 for cost of issue discount) together with what may be the cost of issue of raising loan for that amount not to £3,319,078 as quoted in your telegram 20th April (No 24) your telegram 24th April or £3,300,328 as stated in your telegram 4th May (No 3).

It therefore seems that more than the full amount of £3,500,000 could be raised on existing legislation and I propose that schedule for £3,500,000 issue on 14th May should consist of all items appearing in Ordinance No. 22 of 1927 which are not included in schedule approved for 1927 £3,000,000 issue namely 1. Colonial developments (a) Public

Buildings £304,542 (b) Municipal Requirements £275,269 (c) Roads and Bridges £86,000 Total £667,811

2. Kenya Uganda Railway and Harbours (a) Construction of Nyeri Kitale and Solai Branch Railway and completion of Uasin Gishu Railway £845,000 (b) General improvements on main lines and additional equipment [illegible] (c) Purchase(s) for [illegible] Mombasa [illegible] (d) Additional [illegible] £851,000 (e) General [illegible] Investments [illegible] first [illegible] Water [illegible] £660,000 (f) [illegible] £[illegible] Bill [illegible] actual [illegible] £2,500,000 [illegible] Loan Ordinance No. 29 of [illegible] £30,487 [illegible] total £[illegible] Deduction of this total £[illegible] from [illegible] borrowing [illegible] £23,126,611 giving £91,533 still available under Ordinance. It may [illegible] you [illegible] increase [illegible] 14th May [illegible] this account [illegible] small provision to be made towards [illegible] and supplementary account now approved by you. [illegible] I am glad it possible to receive [illegible] observations [illegible] forecast [illegible] enable me [illegible] Leg[illegible]

37

E.15606/28 Kenya.

Mr. Allen 4/5

Mr. Patterson 4/5/28

Mr.

Mr. Bottomley 4 at once

Mr. E. J. Harding

Sir J. Shuckburgh.

Sir H. Grindle.

Sir C. Davis.

Sir S. Wilson.

Mr. Ormsby Gore

Lord Lovat.

Mr. Amery.

Copies to Send 7/5/28 H. 5/5/28

**DRAFT.** TELEGRAM

Cantor IMMEDIATE.

No.

Confidential.

My telegram 2nd May last para.

It has now been ascertained that after all there will be opportunity for issue of loan 14th May and I have authorised Crown Agents to take [illegible] if it be [illegible] opportunity [illegible]

I will inform you when Kenya [illegible] agent [illegible] Parliamentary [illegible] loan [illegible]

~~Last paragraph [illegible]~~

[illegible] loan was £116,250 and [illegible] discount in respect of [illegible] Parliamentary loan was £219,533.

Copy to Ca. 7th May 28

2d.

Secy

This list will be closed on or before.....

(ROYAL ARMS)

KENYA GOVERNMENT

.....% INSCRIBED STOCK, 19...- 19.....

Issue of £.....

of which £.....has already been placed in the terms of the Prospectus and the remaining £..... is now offered for subscription.

Interest payable.....on.....

First six months' interest payable.....

Authorised by Ordinance No.....of.....

PRICE OF ISSUE £.....PER CENT

PAYABLE AS FOLLOWS:-

On application ... ... % per cent

On ..... ... ... £..... per cent

On ..... ... ... £..... per cent

The Government of Kenya hereby complied with the requirements of the Colonial Stock Act, 1900. Trustees are authorised to invest in this stock, subject to the restrictions set forth in the Trustee Act, 1925.

The loan is raised to meet the cost of Railway Harbour and other works for the development of the Colony. All the works to be executed have been sanctioned by the Secretary of State for the Colonies.

Interest on stock of this loan, the property of persons not domiciled in Kenya, will be free from any Kenya Income Tax.

The Crown Agents for the Colonies, on behalf of the Government of Kenya invite applications for £..... stock as stated above. The stock will be issued under the provisions of the General Loan and Inscribed Stock Ordinance, and will be inscribed in accordance with the provisions of the Colonial Stock Act, 1900.

[illegible] shall be secured on the general revenues and assets of the Government of ..... and the principal will be repaid at par on [illegible] ..... but the Government of [illegible] will have the option of redemption at par on or after the ..... on giving six months' notice by advertisement in the LONDON GAZETTE and in THE [illegible] post to the then Stockholders at their registered addresses. A sinking fund of not less than one pound per cent. per annum will be formed in this country for the redemption of the loan under the management of the Crown Agents, who are appointed Trustees, and the first half-yearly contribution thereto will be taken not later than the .....

Interest will be payable half-yearly on the ..... and [illegible] by [illegible] which will be forwarded by post at the Stockholders' risk, either to the Stockholder, or to any other person or firm named by him within the United Kingdom.

The Stock will be transferable at the Crown Agents' Transfer Office, No. 1, Tokenhouse Buildings E.C.2., without charge. Stamp duty will be paid by the Colonial Government.

Applications, which must be accompanied by a deposit of [illegible] per cent. will be received at the Crown Agents' Offices at 4, Millbank, London, S.W.1., and at 1, Tokenhouse Buildings, London, E.C.2. Subsequent payments are to be made at the Crown Agents' Transfer Office, Tokenhouse Buildings, E.C.2, not later than the dates above-mentioned.

In the case of partial allotment the balance of the amount [illegible] application will be applied towards the [illegible] of the first instalment. If there should be a surplus after making that payment such surplus will be refunded by cheque.

Applications must be for [illegible]

Payments may be made fully after allotment [illegible] rate of [illegible] per annum. In the case of full payments before the [illegible] discount will only be allowed from the [illegible]

Interest at ..... per cent per annum will be charged on instalments in arrear, and non-payment of any instalment on the due date will render the deposit and instalments previously paid liable to forfeiture and allotment to cancellation.

After payment by the allottees of [illegible] they will receive at the Crown Agents' Transfer Office, No. 1, Tokenhouse Buildings, E.C.2. in exchange for the Allotment Scrip Certificates [illegible] convertible into Inscribed Stock.

Stock Certificates to bearer of the denominations of £100 and £100, with coupons for the Half-yearly Dividends attached, will be obtainable in exchange for fully-paid Scrip Certificates or Inscribed Stock at the Crown Agents' Transfer Office, Tokenhouse Buildings, E.C.2., on payment of the prescribed fee. Scrip Certificates can if desired, be Inscribed.

A commission of [illegible] per cent. will be allowed to Bankers and Stockbrokers on allotments made in respect of applications bearing their stamp.

The Revenues of the Colony of [illegible] alone are liable in respect of the above Stock and the dividends thereon, and the Consolidated Fund of the United Kingdom and the Commissioners of His Majesty's Treasury are not directly or indirectly liable or responsible for the payment of the Stock or of the dividends thereon, or for any matter relating thereto (Act 40 & 41 Vict., c 59).

The Public Debt of the Colony consists of £[illegible] 6 per cent Stock 1966../1956. issued in .1921.. in respect of which a Sinking Fund has been accumulated to the value of £[illegible] and £[illegible] 6 per cent Stock issued in 1923

The following figures show the Revenue and Expenditure of ...Bermuda.....for the years 1923 to 1927.

| | Revenue | Expenditure (including Debt Charges) | Imports (Trade only | Exports |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

[illegible] THE COLONIES.

.....Kenya..... GOVERNMENT

.....PER CENT. INSCRIBED STOCK.....

---

ISSUE OF £ .....

being ~~the balance authorised by Ordinance No. ... of .....~~

---

TO THE CROWN AGENTS FOR THE COLONIES.

GENTLEMEN,

I/We hereby apply for £.....

say..... pounds

of Kenya Government ... per cent. Inscribed Stock.....

according to the conditions contained in the prospectus of the

..... and undertake to pay ..... (very [illegible]

and to accept the same, or any less amount that may be allotted

to me/us and to pay for the same in conformity with the terms of the

said Prospectus.

I/We enclose the required deposit of £ ..... being £

per cent. on the nominal amount applied for.

Ordinary Signature.....

Name in full.....
(State whether Mrs. or Miss, and Title if any)

PLEASE WRITE DISTINCTLY.

Address.....

Date.....

Cheques should be drawn to Bearer and crossed BANK OF ENGLAND.

The [illegible] all [illegible] "Order" to "Bearer" the alteration should be signed by the [illegible]

If [illegible] ment Letter is required to be forwarded to other than the applic[illegible] it should be stated.

No commission will be allowed to Bankers & Stock Brokers unless their name appears on the Application.

Applications must be for even hundreds of Stock, and must be accompanied by the amount of Deposit thereon, and the Application must be enclosed in an envelope marked outside "Application for ...Kenya.....Government Loan."

35 19

4, MILLBANK,
WESTMINSTER,
LONDON, S.W.1.

3rd May 1928.

Dear Parkinson,

With reference to Wiseman's note of the 19th April the expenses of issue and deduction for discount in the case of the £5,000,000 Kenya Loan may be taken to be £166,000 as was agreed with you yesterday with Smith. The discount at which the Parliamentary Loan was paid off amounted to £219,533 and not £209,533. The unexhausted borrowing power under Ordinance 22 of 1927 is therefore £3,299,078 net arrived at as follows :-

| | | |
|---|---|---|
| Total net amount authorised ..... | | £8,353,611 |
| Less loan raised in 1927 ..... | £5,000,000 | |
| From which should be deducted discount and expenses of issue) | 166,000 | |
| i.e. | £4,834,000 | |
| (a) Add discount on Parliamentary Loan ..... | 219 | £5,053,[illegible] |
| | | £3,3[illegible],07[illegible] |

A. C. C. Parkinson, Esq., O.B.E.

/ The

The net amount realised from a new issue of £ 500,000 4½% stock will be within this total.

As regards paragraph 2 of Mr. Mitchell's letter, we propose to follow the usual wording in the prospectus, viz:

"Issue of £ [illegible]

"in the terms of the [illegible] the revaluing

"is now offered for subscription

We shall be taking the best [illegible] of the new loan under this clause so that the [illegible] amount so taken will be payable.

Yours

[illegible]

Mr. Allen 1/5

Mr. Parkinson 1.5.28

Mr.

Mr. Bertrandias 2.5.28

Cabinet

2 copies 2/5

Confidential

Telegram 37 April No. 9

Blue Book

**DRAFT.** TELEGRAM

IMMEDIATE

Confidential

Reference

[illegible] of first sentence has been agreed with Mr. Waterfield of the Treasury who raises no objection to the rest of the telegram but hoped we should not commit ourselves to the land bank proposals [illegible] a [illegible]

[illegible] of Order No. 39.

[illegible] conditions [illegible] the market [illegible] separation [illegible] interests and [illegible] for [illegible] interests. Issue of [illegible] preference [illegible] A [illegible] on account of improvement [illegible] market [illegible] [illegible] hoped [illegible] involve issue at a price so much in excess of par as to be unpopular with investors. I am not clear why issue of loan

loan at a discount should be regarded as likely to provoke criticism. Last Kenya loan was issued at a discount and no reflection whatever is implied on [illegible] Colony by such an arrangement. [illegible] the country [illegible] loans [illegible]

[illegible]

A [illegible] loss [illegible] of issue [illegible]

[illegible] Confidential despatch 8th December [illegible] £[illegible] and ( No. [illegible] ) [illegible] at which [illegible] Parliamentary [illegible] paid off £209,563, [illegible] net [illegible] of £3,034,563 leaving balance of £3,316,078.

[M. Smith at C.O. office confirms this figure]

~~Not~~ Actual cost of issue 1927 loan ~~approximately~~ was only £166,~~000~~ 250 see Crown Agents letter 22nd November last. (No.93 in X.10019/27).

[See page]

Schedule

22

schedule of 1927 loan and proposals in paragraph 7 of your despatch 8th December as modified by your telegram 3rd April are approved but as regards financing of land bank from surplus balances I should prefer to await detailed scheme before giving approval.

(See end of No.16 and paras.4 and 14 of No.29).

[New para]

My telegram of 20th April I now understand that loan cannot be issued before end or May at earliest.

( No. 25 ).

[Mr Smith confirms Ar. agd
J. W.]

Secr

N/106.

4, MILLBANK
WESTMINSTER
LONDON, S.W. 1



**IMPORTANT.**

30th April 1928

S

As

I have the honour to acknowledge the [illegible] of your letter No.15006/28 of the 28th April enclosing copies of telegrams which have passed between the Secretary of State and the Governor of Kenya regarding the proposed issue of a further loan on behalf [illegible]

So.

[illegible] points [illegible] the Governor's telegram [illegible] April in the form of the enclosed draft of a [illegible] from the Secretary of State [illegible] the Governor.

3. The [illegible] of State will no doubt [illegible] what addition, [illegible] the dr[illegible] regarding the objection [illegible] the part [illegible] of £5,250,000.

I have the honour to [illegible]

Sir,

Your obedient servant

The Under Secretary of State,
Colonial Office.

A/106.

DRAFT TELEGRAM.

In reply to your telegram of 27th April objection to issue of loan for £5,250,000 is on part of Treasury as stated [illegible]

[illegible] proposed [illegible] [illegible] termined yet [illegible] secure equ[illegible] would [illegible] issue at a pr[illegible] issue of [illegible] [illegible] issued [illegible] reflec[illegible] whatever imp[illegible] credit of [illegible] Government [illegible] only issue [illegible] Account was [illegible] Great Wedding Loan was issued at 80 [illegible]

---

32

25

Telegram from the Governor of Kenya to the Secretary of State for the Colonies.

Dated 27th April, 1928.

(Received Colonial Office 9.40 p.m. 27th April, 1928.)

No. 96. 27th April Confidential Your telegram dated 24th April Please inform me.

(a) How the amount of £3,319,678 is arrived at. What was the cost of the issue of the £5,000,000 1927 Loan.

(b) Whether the schedule of the £5,000,000 1927 Issue suggested in paragraph 4 of my confidential despatch No. 370 of the 8th of December is approved.

I shall be glad to receive approval proposal in paragraph 7 of my despatch above quoted as modified by my telegram dated 3rd April No. 68 as soon as possible.

Expenditure now being incurred which is delayed may mean loss of months.

Mr.

Mr.

Mr.

Mr. Bonsanquet

Mr. S. V. Bowlby.

Sir F. Shackburgh.

Sir G. Grahame.

Sir G. Davis.

Sir S. Wilson.

Mr. Osmaby-Gore.

Lord Lloyd.

Mr. Amery.

Rec'd No. 33.

Important

28 APR 1928

C
R 28 APR
D

**DRAFT.**

With ref. to the letter from the Dept. of this ult. I am to transmit to you the enc. copy of a tel. from the Gov. of Kenya respecting the proposed issue of a further loan. A copy of the Dft. of the tel. of the 24th ult. is also enclosed.

2. The Dft. uses terms rather more than the facts can stand as the funds must be raised in the country by

Resolute true

(Signed) H. T. ALLEN.

Telegram from the Governor of Kenya to the Secretary of State for the Colonies.

Dated 27th April, 1928.

(Received Colonial Office [illegible] p.m. 27th Apr[illegible]

---

[illegible]quent. Td. 27th April. Ver[illegible]
your telegrams of 20th April a[illegible] receiv[illegible]
[illegible]ful to you for o[illegible] sur[illegible] to our
[illegible] probable. We s[illegible]
[illegible]vourable moment [illegible]
[illegible] strong critic[illegible] speech
[illegible] of the
[illegible]rge Schuster's recent advice [illegible]
[illegible]thout further inform[illegible]
[illegible] we the reasons [illegible] the [illegible] raised
[illegible] proportions £3,000,0[illegible]
[illegible]er subscription
[illegible] given in your
[illegible] strongly inclined [illegible] Sir George
Schuster's opinion that it would be better
[illegible] Colony to [illegible] £5,250,000 on the [illegible] Treasury to
of making [illegible] te applicat[illegible]
What are [illegible] reasons for the [illegible]
made at a discount and what will [illegible] . There
is certain to be strong lobbying [illegible] at
discount and [illegible] the whole
amount at the same time [illegible] any objection
to issue of a Kenya [illegible] £5,250,000 on
similar terms of 1927 issue. Legislative Council meet
on 8th May and I shall be grateful for fullest
possible statement of the position for consideration with
my advisers before that date.

29/28

Any reply to this letter should be addressed to
THE SECRETARY,
TREASURY,
WHITEHALL, LONDON, S.W.1,
and the following number quoted

TREASURY CHAMBERS.

S.32902/01

20 April, 1928.

Sir,

I am ... that

... the position wi...

... have ... with

as follows:

The ... Office

envisaged would be as follows:-

| | £ |
|---|---|
| Exchequer loan refund | 3,280,466 |
| Transport loan | 2,950,000 |
| Transferred Guaranteed Loan Services | 2[illegible] |
| C[illegible] Services | [illegible] |
| Mombasa [illegible] | [illegible] |
| Expenses [illegible] | 166,000 |
| | 10,263,876 |

4. [illegible] have been regarded [illegible] the requirem[illegible] to the en[illegible] existing services [illegible] and of [illegible] loan trans[illegible] viz: [illegible] over[illegible] [illegible],000

[illegible] 119,000

[illegible] 119,000

and a scarred [illegible] ces[illegible]

the head of. [illegible]

which They fear, may be in danger of being lost sight of in concentrating on the immediate problem. My Lords do not understand that the Guaranteed Loan transfers named in the preceding paragraph are withdrawn and the commitment of £919,000 must therefore be kept in view. Further it appears that the transport proposals amounting to £400,000 are part of a programme totalling £2 214,000, which would add £1,[illegible]14,00[illegible] to the prospective loan expenditure, except in so far as the provision [illegible] ,000 for rolling stock may [illegible] the similar provision of £919,000 [illegible] Guaranteed Loan [illegible] addi[illegible] expenditure [illegible]

[illegible]

there remains [illegible]

|  |  |
|---|---|
| Now under consideration | 10,4[illegible] |
| Guaranteed Loan [illegible] | [illegible],000 |
| Further Loan [illegible] Services | 1,8[illegible] |
| " Public Services | [illegible] |
|  | 14,563,327 |

The

£2,000,000 Transport Loan had been carried out to [illegible]
an amount of £2,626,000 without recourse to the mar[illegible]
the [illegible] this position, which enabled the [illegible]
[illegible] float [illegible] loan in the [illegible]umn of 19[illegible] on [illegible]
[illegible]ceable terms [illegible] bound [illegible] [illegible]
the [illegible] of Exchequer Loan services and [illegible]
[illegible]tion in borrowing of the real rate of capital
[illegible] in [illegible] proved desirab[illegible]
Exchequ[illegible] thu[illegible] that the colony
again [illegible] borrower after a very [illegible]
venture to forecast the [illegible]
[illegible] markets of [illegible]er Kenya loan of [illegible]000,00[illegible]
They do not fe[illegible] to endorse full the op[illegible]
[illegible] paragraph of the Governor's despatch.
[illegible] refrain from pe[illegible] the
programme [illegible] above would [illegible] loan of [illegible]
£[illegible],000,00[illegible] altoge[illegible]
[illegible] of security and loan charges to whi[illegible]
[illegible] that [illegible]
[illegible] since during 1928 and no new [illegible]
[illegible] undertaken until satisfactory arrang[illegible]
[illegible] made or taken to exi[illegible]
[illegible] the

6.

[illegible] whole

[illegible]

the position obtain[illegible] as a [illegible]

[illegible] his [illegible] is intended to cover the [illegible] areas until the end of 1920. The [illegible] that the [illegible]

[illegible] been [illegible] approaching 14,000 [illegible] on the [illegible] Therefore [illegible] of the programme [illegible] their [illegible] suggested could [illegible] restrictive [illegible] in progress or [illegible] undertaken. It [illegible] much further [illegible] additional [illegible] and agricultural [illegible] coast strip [illegible] for the [illegible] to introduce [illegible] consideration [illegible] loan position a

[illegible] amount of warning constituted by a [illegible] mission [illegible] was deemed to be of a [illegible]

[illegible] "[illegible]" [illegible] reference [illegible] Preserve [illegible] Act [illegible] Bill [illegible] December [illegible] read [illegible] introduce [illegible] Commission [illegible] through [illegible] problems. [illegible]

interest at 5 per cent on this loan for the year 1928 would be as follows:-

| | £ |
|---|---|
| On £5,000,000 for year | 250,000 |
| " £3,132,000 for ½ year | 78,300 |
| | 328,300 |

Deducting the sum of £232,704 provided for temporary borrowing pending the issue of loans, of which however some portion would be required, there remains an additional sum of at least £95,596 to be provided. This charge would be ampl[illegible] covered by the surplus of £154,[illegible] shown on the estimates [illegible] to the Betterment [illegible] but from Appen[illegible] to [illegible] Governor's despatch [illegible] appears that [illegible] revenue account has reduced the surplus to £9[illegible] thus the loan expenditure proposed [illegible] 1928 is alre[illegible] occasioning borrowings in excess [illegible] of the [illegible] way. [illegible] the full interest [illegible] met [illegible] further [illegible] [illegible] the total, including [illegible] on [illegible] loans, to £737,412, which [illegible] amounts to the provision of £74[illegible],216 shown in Appendix V. It will be seen from the figures in that Appendix that on this basis the deficit for 1929 is

estimated

11. My Lords find in the Governor's despatch no adequate reference to these developments, nor is the future revenue position touched upon in the memoranda enclosed with the letter under reply, save in the brief reference to the whole of the transport expenditure being reproductive in the sense of providing facilities for which charges are made. The only real test of the reproductiveness of the expenditure is [illegible]hed by the estimates of revenue and charges, which [illegible]ow satisfactory, and Their Lords are in [illegible] doubt whether this aspect of the [illegible] before the Secretary of State [illegible] himself as satisfied that the financial [illegible] prospects of the Railway Administration [illegible] position [illegible] of £1,37[illegible] justified incurring the charges involved. For Their [illegible] expenditure in the [illegible] port, My Lords would not be disposed to be seriously [illegible] alarmed, but they consider that the outline of the future position given in Appendix [illegible] to the Governor's despatch gives cause for hesitation, the early deficits and late recovery suggesting that development has proceeded too rapidly, and the slowing down process been postponed until too late.

12. My Lords proceed to consider the capital expenditure

expenditure of the Colony, for which a sum of £2,252,000, plus a proportion of issue expenses, estimated at £76,000, is included in the total of [illegible],460,000 referred to in paragraph 3 above. They are glad to note the improvement in the financial condition of the Colony since the depression of 192[illegible] 1923 [illegible] that the Governor anticipates continuous revenue increases for the coming years to 1930, based on the progress of [illegible] development [illegible] fere- [illegible] however [illegible] reasoned by the absence of figures [illegible] expenditure [illegible] for the same period.

The net [illegible] 1928 [illegible] follows:-

| | £ |
|---|---|
| Revenue | 2,267,585 |
| Expenditure | 2,248,378 |
| Surplus | 19,207 |

The expenditure [illegible] interest on temporary advances and thus the net administrative [illegible] charges on permanent debt and substantial provision for public works is approximately £2,228,000. Assuming for the moment that this total would suffice for the two succeeding years the following margins of revenue on the Governor's



Governor's estimates would be available for deb[illegible] [illegible] length of [illegible] viz.

| Colony [illegible] | Revenue £ | Expenditure | Margin |
|---|---|---|---|
| 1928 | 2,267,000 | [illegible] | [illegible] |
| 1929 | 2,[illegible]46,000 | [illegible],232,000 | 114,[illegible] |
| 1930 | [illegible] | 2,222,000 | 284,[illegible] |

[illegible] increase [illegible] the [illegible] capital expenditure of £[illegible] would be [illegible]

| | | |
|---|---|---|
| [illegible] | [illegible] year | [illegible] |
| 1929 | Year [illegible] | [illegible] |
| 1930 | [illegible] | 116,400 |

[illegible] able [illegible] following year sinking fund [illegible] and a further charge of £25,280. Thus in the next two years the margin of revenue would be absorbed [illegible] debt charges. Their Lordships have taken [illegible] account [illegible] above figures of [illegible] savings [illegible] [illegible] ges resulting from [illegible] items of the local expenditure but on the other hand they are [illegible] the limitation of expenditure to the [illegible] 1928 would not in practice be so [illegible] magnitude be [illegible] turned [illegible] the Governor's [illegible] each to the [illegible] [illegible] existing list [illegible] on 25 [illegible] ber [illegible] or a [illegible] of

[illegible] but I have doubt whether sufficient

[illegible] to the financial [illegible]

[illegible]

[illegible] to emb[illegible]

[illegible]

[illegible] for a consid[illegible]

14. [illegible]

[illegible]

[illegible]

[illegible]

this date. They understand that the Secretary of State is prepared to accept, as an alternative, an immediate issue of £3½ millions, to be followed in 1929, by a further issue of such amount as will provide, with the proceeds of the present issue, a total sum of £5¼ millions cash. My Lords regard this as a satisfactory arrangement.

17. [illegible] that the present position with regard to [illegible] expenditure may be quite clear, Their Lor[illegible] desire to be furnished with [illegible] as transferable [illegible] tual expenditure under the main statem[illegible] heads to [illegible] December 1927 and with estimates for [illegible] 1928. It appears that a re[illegible] of the information should also be obtained on the cash position and on the allocation of [illegible] accumulated interest on the Exchequer loan. [illegible] would be glad to learn the views of the Government [illegible] In 1929 [illegible] and of the Secretary of State on [illegible] financial considerations advanced [illegible] and the action to be taken for the [illegible] of [illegible] down of particular proposals.

I am,
Sir,
Your obedient Servant,

Mr. 24/4/28

Mr.

Mr.

Mr. Hankey.

Mr. E. J. Harding.

Sir J. Shuckburgh.

Sir G. Grindle.

Sir C. Davis.

Sir S. Wilson.

Mr. Ormsby-Gore.

Lord Lovat.

Mr. Amery.

Code sent
24/4/28.

**DRAFT.** Code Tel.

Governor,

Nairobi.

Your telegram of 23rd April. No.84. Following is expanded version of [illegible] requested, begins.

The advantage of this arrangement is that the available borrowing power under Ordinance No.22 of 1927 appears to be £3,319,078 an issue to produce not more than this sum can be made now without further legislation. C.A. tell me that the most favourable method of floating loan would be by issue of stock at a discount bearing 4½% interest and this will enable

X. 11000/28 Days

Mr. Bottomley.

Mr. E. L. Harding.

Sir S. Shuckburgh.

Sir G. Grindle.

Sir C. Davis.

Mr. Ormsby-Gore

Lord Lovat.

Mr. Amery

Coded and
N. 12.5.pm.
24/4/28

Your tel of 23 April
No 85 following is 39
expanded version of repetition
requested begins
The advantage of

**DRAFT.**

Yours
Parodi.

Yours [illegible] would be

[illegible] of [illegible]

[illegible] [illegible] [illegible]

[illegible] worked [illegible]

the [illegible] with [illegible]

[illegible] of [illegible]

the stock [illegible] made

without ~~[illegible]~~

the ~~[illegible]~~

under [illegible]

this [illegible] granted

[illegible] Reply will

[illegible] the [illegible]

of [illegible] telegram

Telegram from the Governor of Kenya to the Secretary of State for the Colonies.

Dated 23rd April, 1928.

(Received Colonial Office 7.50 p.m. 23rd April, 1928.)

---

No. 85. 23rd April. Your telegram of 20th April from words "The advantage of" to "1928" not understood. please repeat. Shall also be glad to learn whether I can now conclude that proposals in my despatch of 8th December No. 130 as modified by my telegram of 3rd April No. 68 are approved, it is most urgent to proceed with roads and other work at this season.

[illegible] paragraph [illegible] and [illegible] involves £919,000 [illegible] advanced [illegible] guarantee [illegible] 1968. [illegible] regards the amount of the loan to be [illegible] asked, My Lords are advised that it [illegible] for Kenya [illegible] attempt to [illegible]

Mr.

Mr. Bottomley.

Mr. E. J. Harding.

Sir J. Shuckburgh.

Mr G. Grindle.

Sir C. Davis

Sir S. Wilson

Mr. Ormsby-Gore.

Lord Lovat

Mr. Amery.

**DRAFT.**

Governor
Nairobi

Colonial Office
N. 12
20/4/28

~~10~~

20 April My tel of 20 April
loan cannot be floated
before middle of May.

...ing is

... of repeal ion

...ntage of this

...ne power

... to pros...

Mr. Bl A/L.F.

X 15006/28/Kenya.

Mr.

Mr. Bottomley.

Mr. E. F. Wallinger.

Sir J. Shuckburgh.

Sir G. Grindle.

Mr. B. Digby.

Mr. Grigg.

Lord Lucas.

Mr. Amery.

**DRAFT.** TELEGRAM.

Governor

Your Telegram of [illegible]

No. 68 Urgent [illegible]

that the treasury [illegible]

[illegible]

[illegible]

[illegible] circumstances [illegible] advised

[illegible] agreed to [illegible]

immediate issue could be made of [illegible]

[illegible],000,000 stock, the Finance required

to produce [illegible],250,000 [illegible] The potential

[illegible] loan next year. The

advantage of this arrangement is that

the first issue which will be made at

a discount of 4½% will not involve

any fresh legislation but will approxi-

[illegible] 1927.

| | | |
|---|---|---|
| Total Domestic exports | - | £3,086,916 |
| Total Imports for Home consumption | - | £5,579,006. |

(Note. The exports from Kenya and Uganda (not shown separately for both territories) £1,556,302.)

## [illegible] TRADE FIGURES, 1927.

| | | |
|---|---|---|
| Total Domestic exports | - | £5,086,916 |
| Total Imports for Home consumption | - | £5,878,006. |

(Note. The exports from Kenya and Uganda (not shown separately for both territories) £1,556,302.)

# KENYA TRADE FIGURES, 1954.

| | | |
|---|---|---|
| Total Domestic exports | - | £5,[illegible],916 |
| Total Imports for Home consumption | - | £5,[illegible],000. |

(Note:- Re-exports from Kenya and Uganda (as shown separately for both territories) £1,[illegible]).

13th April, 1928.

Dear Ezechiel,

I now enclose, for your information, a copy of a letter from Waterfield about the proposed issue of a Kenya loan for £3,500,000 stock.

I might add that the Governor in his despatch of the 8th December, of which you have not ~~yet~~ had a copy, proposed that the schedule of the £5,000,000 [illegible] [illegible] action, [illegible] it [illegible] [illegible] [illegible] as follows:-

| | | £ |
|---|---|---|
| (a) | Redemption of the £5,000,000 Loan raised under the authority of the [illegible] Loan Ordinance [illegible] | 3,450,000 |
| (b) | Completion of the Uasin Gishu Railway | 600,000 |
| (c) | Further Port Development | 350,000 |
| (d) | Purchase and re-conditioning of the Voi-Kahe Railway | 100,000 |
| (e) | Locomotives and Rolling Stock | 200,000 |
| (f) | General Improvements | 125,000 |
| (g) | Expenses of Issue and deduction for Discount | 175,000 |
| | | £[illegible],000,000 |

P. H. Ezechiel Esq., CMG.

I work out the unexhausted borrowing power under Ordinance No. [illegible] of 1927 to be £3,319,078, which I arrive at as follows:-

| | | £. |
|---|---|---|
| Total net amount authorised to be realised under Ordinance [illegible] of 1927 | £ | [illegible] |
| Less loan raised in 1927 | [illegible] | |
| From which should be deducted cost of issue | [illegible] | |
| | [illegible] | |
| From the total to be borrowed should be deducted the discount at which the Parliamentary Loan was paid [illegible] | [illegible] | |
| i.e. net total to be [illegible] | | |
| Balance of [illegible] required | | [illegible] |

I hope you agree to this figure. [illegible] you will have to see [illegible] fresh loan [illegible] within [illegible] of 1.

[illegible] telegraph [illegible] the Governor [illegible] will let you know as soon as possible [illegible] reply.

Yours sincerely,

(illegible)

Telephone No. 1 Victoria 1234.

22 49

TREASURY CHAMBERS,
WHITEHALL, S.W.1.

In reply please quote Regd. No.
S.32902/01.

20th April

[illegible]

be confined to [illegible]

[illegible]

the treasury [illegible]

[illegible]

respec[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Colonial [illegible]

Note of Interview with Mr. Waterfield of Treasury on 16.4.1928.

---

[illegible] had better first explain that since I wrote to Mr. Waterfield on the 10th he had telephoned to say that the Governor of the Bank of England had now informed the Treasury what his view was as regards the request made in our official letter of the 8th February that Kenya should be allowed to borrow £5,000,000 stock at one operation in May. The Governor had expressed the opinion that it was undesirable for Kenya to go to the market for more than £3,000,000 stock in one operation. I had expostulated with Mr. Waterfield that this limit was much too low immediately on hearing it [illegible] the meantime discussed the position very fully with [illegible] Bottomley and [illegible] alternative [illegible] to the Treasury [illegible] recorded below in the [illegible] acceptable to [illegible] told Mr. Waterfield that we would like to be able to borrow £5,000,000 net in one operation as recommended by the Governor and by Sir G. Schuster. He told me, however, that the Treasury were not prepared to raise with the Governor of the Bank of England the question of increasing the issue beyond £3,000,000 stock. As we had already accepted this limitation on the occasion of the last issue in the autumn of 1927, largely on Sir G. Schuster's recommendation that it was unwise to attempt to fight the

the Governor of the Bank of England, it had been realised that it would be impossible to fight the Treasury on the issue of increasing the total amount from £5,000,000 stock to £5,250,000 net, and I therefore did not press this further.

Mr. Ezechiel had told me that the market would not be unfavourable to an issue by [illegible] of £5,250,000 net in two operations [illegible] total of [illegible] and after discussion with [illegible] the conclusion [illegible] most favourable [illegible] was that Kenya [illegible] allowed to borrow in May about £3,500,000 stock on the understanding that [illegible] to borrow the remaining sum required to produce £5,250,000 in the course of 1929. [illegible] the figure [illegible] was that this could be issued without any further Ordinance being [illegible] covered by Ordinance No.22 [illegible] gave authority [illegible] the issue of approximately £5,250,000 net in addition to [illegible] by the issue of £5,000,000 [illegible] 1927. This figure is [illegible] as follows:-

| | |
|---|---|
| Total net amount authorised to be realised under Ordinance 22 of 1927 | £8,353,611 |
| Less loan raised in 1927 - | £5,000,000 |
| From which should be deducted cost of issue | £175,000 |
| i.e. | £4,825,000 |
| From the total to be borrowed should also be deducted the discount at which the Parliamentary Loan was paid off, i.e. | £209,533 |
| i.e. net total to be deducted... | £5,034,533 |



I was further able to tell Mr. Waterfield that the Crown Agents were prepared to invest as much as £1,500,000 in the new loan, and had no objection to its being stated in the prospectus that they were taking up whatever amount they ultimately decided to do. But I said that if they did not want to commit themselves to any definite amount at the moment I thought he could assure the Governor that they would take up at any rate the balance of £3,000,000 stock on the Treasury figure of [illegible]

[illegible] Mr. Waterfield was prepared to accept [illegible] proposals, but if Sir R. Hewins agrees, [illegible] to the Governor [illegible] be allowed [illegible] operations, the right to borrow [illegible] £2,500,000 [illegible]

Downing Street,

13 April, 19[illegible].

Dear Waterfield,

With reference to our official letter of the 8th of February, I now enclose a telegram which we have had from the Governor of Kenya [illegible]

[illegible] before [illegible]

[illegible] if we were [illegible]

[illegible] in Kenya [illegible]

[illegible] to be [illegible]

So far as these requirements are concerned, they are all included in the Governor's despatch of the 8th of December and, therefore, include no new proposals for the Treasury to consider. The Governor, however, suggests that in order to bring the total of A and B down to the round figure of £6,250,000, we should knock off the proposal for the Land Bank and add £92,514 for the Central Offices at Nairobi. I expect you will want to discuss with me the line to adopt about the proposed Land Bank, but apart from that, I do not propose [illegible] anything in the actual details composing the total of £6,250,000 to which you will wish to [illegible] question in detail.

On this assumption, the question in this telegram resolves itself into a question of finance, and the proposed issue of the Loan, and it is on this point that I should like to have a discussion with you before we go any further.

As I explained to Cathcart-Jones the other day on the telephone, if we are to raise a Loan in May there is a great deal of preliminary work to be

be done beforehand, and there is no time to be lost. Could you ring me up when you get this letter and give me an early date to discuss it.

less than 94. In October it is not impossible that we might do a little better, but on the other hand it is perhaps more likely that we might not be able to do as well. Much must depend probably on the Treasury's own programme, but unless the Treasury are prepared to advise you, in the interest of Kenya, that Kenya should wait till October, we think with our brothers that the present favourable opportunity should not [illegible]

The second point leads [illegible] Kenya, notwithstanding the [illegible] already borrowed one million [illegible] and this amount is of co[illegible] British Guiana also wants [illegible] and [illegible] accommodation [illegible] know when she will be ready to issue her [illegible] are withdrawing portions of their balances [illegible] Malay States [illegible] may in consequence of the [illegible] Crisis have to do [illegible] same [illegible] amount. Tanganyika has already borrowed a million in anticipation of the guaranteed loan. Unless the issue of two millions for Tanganyika next month (as I understand from Bottomley has been contemplated) is

is a certainty, we cannot undertake to finance Kenya for another six months, and even then we must have the power to issue Kenya Treasury bills in reserve.

We therefore think it would be best to adhere to the plan of making the next Kenya issue in May.

The question whether the issue should be 5½ millions net or only 5 million stock is less important, but should nevertheless be settled early, because on it may depend whether the issue should be on a 5 per cent or a 4½ per cent basis. Assuming that Kenya requires the whole of the [illegible] millions cash, it will hardly be reasonable for the Treasury (and the Governor of the Bank) to object to her obtaining the extra ½ million from the market, especially as we shall take a considerable portion of the issue for our own funds - and to insisting on the restriction to force Kenya to issue a 5% loan on less favourable terms than she could get for a 4½ per cent issue. So far as we are concerned, we are prepared to issue a loan to produce 5½ millions, and even more if necessary.

In either case, however, there seems to be no reason

/ why

why Kenya should not pass her new loan ordinance so as to cover the borrowing of 5¼ millions net (assuming that the works and the expenditure are approved), and we hope that early steps will be taken to get the ordinance passed so that we may be in a p[illegible] choose the bes[illegible]

[illegible] sincerely,

any case, this alteration seems to turn mainly upon finance considerations seeing that there is nothing to prevent the additional loan expenditure from being approved even if it may be decided to be better to limit the actual borrowings to £5,000,000. We should, therefore, like to know also what you have to say about this aspect of the matter from the point of view of the Colony's market interests.

Would you let me have a reply as soon as you can as we are expecting an early answer from the Treasury to our letter of the 8th of February, and if any fresh proposals have to be put to them, they should be done pretty quickly.

~~[illegible]~~

The figures in para 1 of the Governor's telegram of £3,081,000 & of £1,305,000 are evidently figures laid before Sir G. Schuster which have since been reexamined, and which therefore need not concern us further. The requirement of £2,252,686 for the Colony loan is that in para 3 of the (page 7) Governor's desp of 8th December & remains unaltered. Consequently the only new figure is that of £3,021,000 for transport requirements. (needing investigation) This ~~[illegible]~~ ~~[illegible]~~ is meant to indicate the further cash requirements of the transport administration after deducting that provided by the £5,000,000 loan in 1921 & includes the balance of actual approved expenditure from the schedule to the 1921 Loan Ordinance of £3,33[illegible]. The £ figure is made up as follows.

A. Items included in Ord^ce of 1921 (See para 22 of II app (?) of Governor's desp of 8th December for details) £264,000

Balance required to pay off £3,500,000 loan from Treasury 30,467

B. Completion of Deep water berths Nos 3 & 4 (page 18 of Gov's desp of 8 Dec 1921) 150,000

C. [illegible] 100000

D Further Prof & Manag £ 25000
General improvements
(p 10 of Governor's desp
of 8 December)

E. Thomson's Fall 5 Pr £ 200,533

£ 3,025,000

Treasury approval is needed for C & D & a separate loan ordinance for nos. C, D & E.

No. 1 only appropriations of £ 2,250,666 are now in ~~modified~~ the proposal of the ~~[illegible]~~ of the category to strike off £ 120000 for the ~~[illegible]~~ loan & add £ 92,314 for ~~[illegible]~~ central offices thus reducing the figure to £ 2,250,000

ORIGINAL Decode of a telegram from the Gov. of Kenya

Dated 3rd April 192 . Received in the Colonial Office at 11-0 pm on 3 April

Decyphered by

No 68 3rd April Urgent Conf. your despatch 26 October No 899 0 Have discussed Conf. despatch No 130 of 8th December re Loan [illegible] proposals [illegible] Sir George Schuster [illegible] estimated [illegible] Colonial [illegible] [illegible] 72 [illegible] estimated 3, [illegible] [illegible] of additional [illegible] Colony and [illegible] 5,[illegible],000 net. Ports which [illegible] be foreseen is limited to £1305,000 and that against this programme if approved it will not be necessary to raise any Loan money until 1930 in these circumstances Schuster recommends that arrangements be made to raise sufficient to produce £5,250,000 nett

about October next. Secretary wires me to make clear that owing to lack of time he has been unable to study estimates sufficiently to express opinion on merits of additional items of expenditure referred to para 7 or on general loan expenditure as such but having regard to Colony's general financial position and the fact that further expenditure can be avoided if necessary and that even if this is approved no further loan need be raised till 1930 he considers that loan to produce £5,250,000 [illegible] and that issue will [illegible] at [illegible] interest if loan for [illegible] is brought out in October. Since discussion with Sir George Seb[illegible] both Colonial and Railway portion of schedule given in para 7 of my despatch under reference has been re-examined and Telling on the understanding that interest on balance of old £3,500,000 Guaranteed loan will be available your telegram 21st March reduces his requirements as follows (A) Balance to complete or [illegible] £3,500,000 loan £30,116 your despatch 9th February 1928 No 133 (B) Construction of Myere



(2)

Kitale and Solai branch railway £845,000 your despatch 23rd December 1927 (2) (C) Subject out of capital £55,000 vide reference under (B) (D) General improvements £175,000 vide under (B) and para 6 (7) of my despatch 8th December 1927 No 130 (E) Rolling stock £831,000 vide under (B) in respect of which £205,000 was included in para 6 (6) of my despatch 8th December 1927 No 130 also your telegram of 11th January 1927 your telegram dated 28th March 1927 your telegram of 8th February 1927 to High Commissioner (F) Deep water berths Mombasa and four £750,000 your telegram of 9th January 1927 and your telegram of 19th January 1928 to High Commissioner (G) Improvements at Port vide reference under (F) above £75,000 (H) Site of Central Station Mombasa £55,000 vide para 1 of third enclosure your despatch of 31st August 1927 (I) Thomsons Falls branch line £205,533 your telegram of 23rd December 1927 total £3,025,000. In connection with foregoing vide also schedule

to ordinance no 22 of 1927.

This sum of £ 3,025,000 added to total of colonial requirements in para 1 of my despatch 18th Dec 1927 brings gross a grand total of £ 5,277,686 in excess of the sum of £ 5,200,000 recommended by Sir Geo Schuster. To keep within the sum recommended I propose to delete provision for Land and Agricultural Bank item of £ 120,000 and add balance available of £ 92,314 to Public Buildings Head so as to ensure early start of Central Offices and Supreme Court all paras 8 of despatch quoted being reasons for advocating this course as (a) The Land Bank proposal does not yet mature and I share the view I believe held by Sir Geo Schuster that insertion of taken sum in a loan would give rise to criticism in the Colony further demands for Land Bank assistance are likely to vary from year to year and it is preferable to finance it from surplus balance as occasion arises rather than that the Colony should pay interest on full capital requirement from date of loan. (B) The Treasury building has had to be abandoned and



ORIGINAL of a telegram from the

Dated 192 Received in the Colonial Dominions Office at on

Decoded Decyphered by

(31)

conditions in Supreme Court are intolerable Central Offices are best constructed by instalments as funds can be made available.

I shall be glad to receive your approval of (a) recommendation in my main Confd despatch to Sec of State Dec as amended by this telegram as early as possible (b) Proposal to finance land bank as necessary from surplus balance which subject to final certificate amount on Dec 31st is £ 690,000 (c) Interest £ 92,314 quoted in para 3 above for commencement of construction of central offices and Supreme Court Building.

Governor