

1924

KENYA

C.O.  
40600  
25 AUG 24

DATE

25th August 1924.

COLONIAL OFFICE.

CIRCULATION :-

Mr.  
Mr.  
Mr.  
U.S. of S.  
U.S. of S.  
U.S. of S.  
Secretary of State.

650

LOANS FROM IMPERIAL FUNDS. CONDITIONS OF ISSUE.

Copy of Second Report from Select Committee on Public Accounts commenting (para 19) regarding Uganda Loans of 1922/23 and 1923/24, and remarking (para 20) as to original cost to H.M. Govt. of Uganda Rly, and as to further loan of £3,500,000 for Railway Development.

*Index*

Previous Paper

31079 (Uga Rly Capital Expend)  
40680 Uganda  
Imperial Loan of £3,500,000

1160 13158

MINUTES

This was referred for views & convenience of reference.

The first point (para 19) is really for the Treasury only, & ~~concerns the~~

~~concerns the~~ on regard

The second we can, I suppose, wait to see what Treasury propose to do in this matter.

Let Mr. Bostanley see on his return

27/8/24  
atms.

Subs

I have attached a note on the second point. It would have been better to say that the liability is recognized beyond all doubt, but the three points - (a) that

10 Ministry (copy all over) (16/8/24)

*SPSR*

Subsequent Paper

Joff 4330

(1) that developments  
concern first; (2) that  
we have ten years clear,  
(3) that we appropriate  
the whole of the last  
revenue then being  
confiscated - seem to  
me too important to  
write down going by  
default.

I do not think there is  
any hurry over this &  
it is an asset for the  
Strachey's return.

Bring up in a fortnight

C. S. J. 10.11.24

W. Strachey

Please see my  
memo. If it is decided  
that a full statement is  
desirable I think it will  
serve.

On the merits, I hope  
not before 1925 it  
may be resolved that the

advantage both Federal Govt. has  
rather in the direction of the prosperity  
of these territories, but a fixed  
annual charge (if suitably assessed)  
could be better than an arrangement  
which would depend on the temporary  
assessable of all possibilities of  
progress and of all independence.  
It might be better to  
contemplate repayment of over 30  
years which at 5% would mean  
about £350,000 a year

651

If my name is approved it  
should go to the Treasury for  
consideration.

C. S. J. 10.11.24

C. S. J. 10.11.24

W. Strachey

The minute is agreed to the  
P. & A. account of U.S. but I can only include  
that it came back from the cross and  
that I overlooked it in the Federal  
stress early in December - & since  
I had now more for the reply to

Trans. 12/10/25 Mrs. C. S. J. 10.11.24

W. S. J. 10/11/25

C. S. J. 10.11.24

Downing Street,

16th January, 1925.

Mr,

I am directed by Mr. Secretary Albery to acknowledge the receipt of your letter of the 31st December, 1924, enclosing a copy of a Treasury Minute, dated the 1st December 1924, on the Second Report of the Committee of Public Accounts 1924, and to request you to inform the Lords Commissioners of the Treasury that careful consideration has been given to the comments in the Minute which are specifically addressed to this Office.

2. I am to state that Their Lordships' comments on general questions discussed in the Report have been noted, and will be borne in mind.

3. As regards particular questions discussed in the Report to which attention is drawn in Their Lordships' Minute, I am to make the following observations:-

Paragraph 19. Loans to Protectorates.

A note has been made of Their Lordships' desire that, in all cases in future where grants are made to Protectorates out of Votes on terms of repayment, a Minute should be presented to Parliament setting out the terms prescribed by the Treasury in regard to such grants, and the conditions of any such loans, and the terms of the necessary indentures for this purpose will be communicated by this Office to the Treasury in any such cases as may arise in future.

Paragraph 20

SECRETARY  
TREASURY.

Report of the Railway

As regards the request for an assurance from the Secretary of State of his concurrence in the view set out in the Minute of the recognised position in regard to the indebtedness of the Colony to His Majesty's Government in respect of the sum originally expended on the Railway, I am to enclose a full Statement of the position as it appears to the Secretary of State, and to express Mr. Amery's hope that the Lords Commissioners of the Treasury will concur in his views as expressed in the Statement.

I am etc.,

(Sgd) H. Lambert.

*Handwritten note:*  
See Jan 1915

As regards the request for an assurance from the Secretary of State of his concurrence in the view set out in the Minute of the recognized position in regard to the indebtedness of the Colony to His Majesty's Government in respect of the sum originally expended on the Railway, I am to enclose a full statement of the position as it appears to the Secretary of State, and to express Mr. Amery's hope that the Lords Commissioners of the Treasury will concur in his views as expressed in the statement.

I am etc.,

(Sgd) E. Lambert.

In paragraph 30 of the second report of the Public Accounts Committee, 1924. (House of Commons 138) reference is made to the capital cost of construction of the original Uganda Railway. The Committee wished to be assured that "it is formally recognized to be beyond the possibility of question that the Colony is indebted to His Majesty's Government in respect of the sum originally expended on the Railway, which is obviously one of its most valuable assets".

This matter remained in abeyance for many years, and it was not taken up when in 1913 Treasury agreed to the East Africa Protectorate (now Kenya) being released from their financial control. It has, however, come under review in the discussions with the Treasury relating to, first, the Kenya loan of £5,000,000 raised in the open market in 1921, and, later, the assisted loan voted by Parliament early in 1924 for the development of communications in Kenya and Uganda.

In 1921, as a result of a discussion between the Secretary of State for the Colonies and the Permanent Secretary of the Treasury, a memorandum was prepared dealing with various points which had to be settled before the approval of the Treasury could be obtained to the £5,000,000 loan being admitted under the Colonial Stock Acts, and, on the particular question of the capital cost of the original railway, it was laid down that:-

"It is recognized that the stipulation originally made in connection with the Uganda Railway that

that the net revenue from the railway should be paid into the Imperial Exchequer until the advances therefor for the construction of the railway had been repaid in full and thereafter until otherwise determined has not been abrogated. The Treasury agree however that for the present the Railway revenue should continue to be applied towards the general expenses (including development) of the Colony, without prejudice to any future decision which may be arrived at as to the application of such revenue towards repayment of the cost of the railway or otherwise".

It had by that time become <sup>that</sup> obvious the system by which the profits on railway working had been absorbed in the finances of the Colony was not only unfair to Uganda, the principal customer of the railway, but also had led to the proper maintenance of the existing line being neglected. It was decided that the finances of the railway must be separated entirely from those of the Colony and that surplus earnings must be devoted in the first instance to debt charges on loans raised and to provision for renewals and betterment, and subject to these services to the reduction of rates as far as possible, the line being regarded as one for development and not for making profits.

It was part of the arrangement with the Treasury in 1921 that at a later date a further loan should be raised to cover services not included in or not sufficiently provided for under the 1921 loan. At the end of 1923, owing to the importance of providing for the development of communications in order

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to cope with and stimulate the rapidly increasing cotton cultivation, particularly in Uganda, and also in order to provide as quickly as possible means for the relief of unemployment in this country, an extensive programme of railway development and improvement was drawn up. At that time, borrowing (in addition to the original £5,000,000) to the extent of £8,000,000 was contemplated and the Treasury agreed to Parliamentary approval being asked for the assisted loan of £3,500,000 to which

reference has already been made, *The amount of £4,500,000 being left over with a public loan could be raised.*

On the conclusion of the arrangements in regard to the assisted loan, the Treasury again placed on record the fact that the net revenue of the Uganda Railway was due to the Exchequer, but they agreed that for the next ten years the net revenue might be applied to railway purposes, and that in the meantime no interest would be charged on the capital debt for advances under the Uganda Railway Acts. In a letter to the Treasury of the 21st April, 1924, attention was drawn to the fact that, when the present development schemes are completed, the entire transport system will have been constructed very largely at the charges of Kenya and Uganda. The letter was sent, not in repudiation of the liability for the original capital cost, but in order that consideration of the question ten years hence might not be prejudiced. In a few years the original mileage will be less than half the total length worked and the profits are, more and more each year, earned by the areas freshly opened up.

It is not necessary to anticipate the full consideration



057 EN.

consideration of the question in 1934, but it should not  
be prejudiced in advance by the assumption that the  
entire net revenue of a transport system <sup>for now</sup> which bears  
~~no relation to~~ that originally supplied at imperial cost  
should automatically be applied to repayment of that cost,  
and that, as a result, further development  
of the system and any necessary ~~improvements~~ should for as  
a default time be rendered impossible.

Colonial Office  
January 1925

W.C.B.  
10.11.24

1924

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FROM	DATE	SUBJECT
Colonial Office	E. Afr. - Sept.	Native Education.
	" - "	do.
	" - "	do.
	" - "	do.
	" 19 "	do.
	" - "	do.
	" 7 Oct.	E.A.M.S. vacancies.
	" - "	Native Education.
Kenya	13 "	Subaland.
E. Afr.	13 "	Native Education.
Kenya	- "	do.
E. Afr.	14 Nov.	Senior Medical Officers, Kenya.
"	- "	Vital Statistics.
Kenya	- "	Balances due to Native Carriers.
E. Afr.	12 Dec.	E.A.M.S. Regulations.
"	16 "	Return of Duke of York.
Kenya	20 "	Mogadi Soda Co.
E. Afr.	20 "	Pecuniary interests of Officials.
Kenya	22 "	Cession of Subaland.
E. Afr.	- "	Native Education.
"	22 "	do.
"	- "	do.
Kenya	31 "	Native mortality.