

1924

KENYA

C.O.
11143
B MAR 24

Dep. Sec. Gen.
Kenya

159

Date
6th July 1924

Colony
Protectorate

In this case I have

Part U.S. of S.
Secretary of State

praying for the
leave of absence
submits and does
recommend

Previous Paper

2465
-23

MINUTES

I do not suppose that the petitioner is eligible for a pension and that he should be given the exceptional treatment accorded to Zena in 39900/23. But H. Gorman might have given us further information e.g. in reply to our despatch on 5/2/24 and also in regard to Banji's statements, particularly at (b) in the petition.

(I have not observed an improvement in Kenya's despatches, at any rate in personal matters, since Mr. Deane took up his appointment.)

He wrote that the Gov. is not prepared to support the application, but

20 MAR 1924

303

18 SEP 1924
978
6/2

Subsequent Paper

12452

KENYA.

No. 159.



GOVERNMENT HOUSE,
NAIROBI,
KENYA.

February 6th, 1924.,

404

Sir,

With reference to Colonial Office despatch No. 1701 of the 7th December last, I have the honour to transmit a memorial from Kanji Bhanji, late Carpenter in the Treasury Department, petitioning for the grant of a pension in lieu of a gratuity.

2. Kanji Bhanji was never admitted to the pensionable establishment and under Section IV of the Superannuation Act, 1887, is only eligible for the usual gratuity.

3. I do not consider that Mr. Bhanji's claims are of the very exceptional nature referred to in Colonial Office despatch No. 1207 of the 22nd August, 1923, and am not prepared to support his application.

I have the honour to be,

Sir,

Your most obedient, humble servant,

GOVERNOR'S DEPUTY.

RIGHT HONOURABLE

J. H. THOMAS, P.C., M.P.,

SECRETARY OF STATE FOR THE COLONIES,

DOWNING STREET,

LONDON, S.W.,

Memorial.

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So
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To

The Duke of Devonshire, K.G., P.C., G.C.S.I., G.C.V.O.,
Secretary of State for the Colonies,
Downing Street, London.
His Excellency the Governor & Commander-in-Chief,
Kenya and Protectorate of Kenya,
Nairobi.

And the Hon'ble, The Treasurer

May it please Your Grace:

I have humbly petitioned of the undersigned, at present working as a temporary carpenter in the Currency Office at Mombasa, most respectfully sheweth

- (a) That the petitioner has been retrenched from Government services after working for 17 years in the Treasury Dept. as a carpenter and that before joining the Treasury he was employed in the Public Works Department, for nearly eight years in a similar capacity.
- (b) That the petitioner had left the prospects of a higher salary in the Public Works Department and joined the Treasury at a lower salary as he was given to understand verbally at the time that his post would eventually become pensionable.
- (c) That at the time of retrenchment the petitioner was drawing a salary of Sh. 320/- plus house allowance of Sh. 40/- which is more than the minimum required for pension, and he accordingly always believed in good faith to be entitled to pension.
- (d) That the nature of the work the petitioner was called upon to perform involved considerable responsibility in that he had to pack large amounts of specie and stationery, and the care, diligence and fidelity with which he performed these duties have always been highly appreciated by his superiors.

C. D.
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Domestic Secret.

20 March, 1924.

DRAFT.

Ans
60500

[Handwritten mark]

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Sir,

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I have the honor to

acknowledge receipt of your
despatch No. 159 of the 6th
of February transmitting a
memorial from Kanji Bhanji,
late Carpenter in the Treasury
Department petitioning for the
grant of a pension in lieu of
a gratuity.

MINUTE.

- Mr. Jewell. 18.3.24.
- Mr. *Salde* 18.3.
- Mr. *[initials]*
- Sir C. Davis.
- Sir G. Grindle.
- Sir H. Reid.
- Sir J. Masterton Smith.
- Mr. Ormsby Gore.
- Duke of Devonshire.

2. I note that you are not

prepared

MINUTES.

MINUTES NOT TO BE WRITTEN
ON THIS SIDE.

KENYA.

No. 30.

CONFIDENTIAL.



GOVERNMENT HOUSE,
NAIROBI,
KENYA.

6th February, 1924.

11147

Sir,

I have the honour to submit for your adjudication certain points of disagreement which have arisen between the Treasurer and the General Manager of the Uganda Railway in connection with the utilization by the Colony for general purposes of surplus Loan funds ultimately allocated for railway and port development.

2. The General Manager throughout has considered that it would be more convenient for his Administration to exercise control from the outset of moneys raised for such works and simultaneously to assume liability for all interest and sinking fund debits in this connection. He bases this contention on the authority granted in your predecessor's despatch No. 1030 of the 25th July last for financing the re-railing scheme on the main line from Loan resources. It was pointed out to him that this was an exceptional concession and, until further extended, was confined to the ^{first} 35 miles. The Treasurer moreover expresses the opinion that, as the Colony was guaranteeing the Loan, all Loan expenditure and Loan funds should be under the Colony's direct control and that to hand over Loan funds to the Railway to enable it to make purchases, for subsequent adjustment out of the Renewals and Betterment Fund, if and when that Fund has a sufficient credit to meet such payments,

THE RIGHT HONOURABLE

J. H. THOMAS, P.C., M.P.,

SECRETARY OF STATE FOR THE COLONIES,

DOWNING STREET, LONDON, S.W.

Enclosure "A"
Enclosure "B"
Enclosure "C"

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3492
- 23

payments, would be irregular unless authorised by you as in the case of the first 35 miles. As all surplus Loan funds have now either been expended on the work or temporarily lent to the Government, the General Manager does not desire to press his case, but he has expressed the view that his contentions as regards the manner in which interest charges are afforded must be considered.

3. Whilst recognizing the fact that any loan for railway or harbour services in Kenya requires to be floated on the Colony's security, the General Manager advances the argument that the money would not have been raised except for such works and that the Railway Administration therefore should only be called upon to meet interest charges as from the date the particular funds are actually expended.

The Treasurer opposes this view in the accompanying memorandum, Annexure A. The General Manager now states that he has no great objection to the Colony, which raises the loan, deriving such advantage as may accrue from the use of the money until it is required by the Railway Administration, provided that the Loan works do not suffer by such use.

4. The General Manager's arguments are contained in annexures "B" and "C" and amount to the plea that the Colony should be liable for the same rate of interest in respect of such temporary borrowings as is payable to the Bondholders. The works under this arrangement would be relieved of interest charges on any sum so utilized throughout the period of its utilization &c., but it would be obvious that the Colony could not afford to borrow surplus Loan funds on such terms, which are far in advance of the rates charged by the Crown Agents.

The result in effect if the General Manager's arguments are accepted would be that, whilst the Loan would not benefit (surplus Loan funds would normally be invested at a higher rate than the Colony would be prepared to give) the Colony would suffer as it would require to borrow from the Crown Agents at a varying bank rate, and a third party would benefit by having the surplus Loan funds at a higher rate of interest, necessitating a higher rate of interest.

It is all the more regrettable that the Government of the Colony, in its desire to secure the credit of the Colony, has not properly considered the advantage derivable from the retention of surplus loan balances instead of being compelled to borrow in the open market while those balances are available for temporary investment.

It must be borne in mind in this connection that the Colony recognizes its responsibility for providing loan moneys on demand as required for expenditure on sanctioned services and in view of such requirements would probably be unable to obtain investment for surplus loan funds on other than a "call" basis as pointed out in paragraph 3 of the Confidential despatch of 21st December, 1931, on the subject of providing funds for the extension of a land and agricultural bank in the Colony. It is difficult to understand why the Colony should pay a higher rate for the use of these moneys than they would earn if otherwise employed.

As explained in paragraph 2 there are now no surplus funds under the £5 millions Loan available for investment, but in regard to borrowings from the temporarily

temporarily unexpended portion of any future loans I am prepared to meet the General Manager, if he desires to compete for the option on such moneys for temporarily financing any Railway Revenue works which you may have authorised to be carried out in anticipation of future Railway revenue receipts.

412

I suggest as an equitable transaction that the Colony and Railway in such circumstances should bid for the use of surplus Loan funds, an upset price being fixed at a figure equivalent approximately to what could be obtained in London for short call investments as certified by the Crown Agents. Should the Railway Administration be authorised and wish to borrow funds for revenue works and be prepared to pay a higher rate of interest than the Colony for this temporary accommodation, I should be prepared to concede their request.

In the contrary event I do not consider that the Colony, whose credit and financial standing have made the flotation of the Loan possible, should be deprived of the benefit of "short call" terms in favour of a third party.

7. As you are aware the Colonial and Railway accounts are now entirely separate, and it is in my opinion imperative that the accounting procedure in respect of loans in which the Colony and the Railway are both interested should be further simplified in order that questions relating to temporary borrowings from Loan funds may be settled without difficulty.

8. The present procedure by which, when Loans are raised, the proceeds are paid into the Colony's General Account creates many difficulties; and I am strongly of opinion that the best way to avoid the recurrence of
disputes

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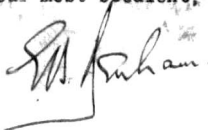
disputes between the Colony and the Railway in regard to the funds of future Loans, including the proposed Imperial £3,500,000 Loan, will be to keep those funds separate and distinct from both the Colony's General funds and the funds of the Railway Administration.

In other words that the Crown Agents should keep a separate account for the Colony's Loans as they now do for the Uganda Railway, forwarding to the Treasurer separate monthly Loan Accounts showing all Loan transactions. It would then be possible for the Treasurer to forward the Crown Agents' monthly Loan Accounts to the General Manager for his information, and thereby to show clearly any amounts which may have been temporarily borrowed from the Loan for General purposes either by the Colony or the Railway and so enable the Treasurer and the General Manager to keep an easy and complete check upon intromissions with the loan account. At the same time the Treasurer would continue to keep a full account of all Loan transactions in the Colony's ledgers.

9. I have therefore to ask that the Crown Agents may be instructed forthwith to keep the funds of all future Kenya Loans including the proposed Imperial £3,500,000 Loan separate and distinct from any other Kenya funds, and that separate monthly statements of accounts may be rendered in regard to these Loans.

10. I shall be glad to learn in due course your decision on the considerations raised in this despatch.

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



GOVERNOR'S DEPUTY.

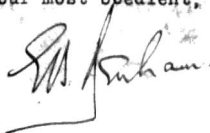
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GOVERNOR'S DEPUTY.

Colony is paying to the credit of the Loan interest on such funds and the Loan is therefore just as well off as if its surplus funds were invested in short call securities or lent, as the General Manager wishes, to the Uganda Railway. My contention is that any advantage which may accrue through borrowing the Surplus Loan Funds instead of having to borrow elsewhere, should accrue to the Colony which guarantees the Loan and on whose credit the raising of the Loan is made possible.

Sd/- R.Clifton Grannum

TREASURER.

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Sd/- R.Clifton Grannum

TREASURER.

20th November

P.12

The Hon. the Colonial Secretary,
Colony and Protectorate of Kenya,
Nairobi.

LOANS FOR RAILWAY & POST DEVELOPMENT.

Further to my two letters No. S.F.12 of yesterday's date, I have to state that I have just seen a copy of the Honourable the Treasurer's letter No. 354/102-12 of the 24th instant.

2. I would point out that the loan would possibly be as well off if the Colony pays interest on a short-term investment basis as it would have been if the Railway had had the handling of the money.

3. Not only would the Railway, if it had had the handling of the money, have been able to make investments for long periods, but it could have arranged its use of Revenue account balances (until recently used by the Kenya Government without paying the Railway interest) and its drawings on loan account in such a way as to fit in with each other and with investments in the most economical way.

4. The Government, on the other hand, would have had to pay for its overdraft at bank rates and would not have had the advantage which accrued from borrowing surplus loan balances (vide the Treasurer's last sentence).

5. The Treasurer's attitude is that because of its guarantee the Colony has the right to use the £5,000,000 loan money in any way open to it, but the Railway must

bring up the interest on a heavily inflated capital expenditure, and the Colony's guarantee will only come into play if the Railway fails.

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6. It is clearly apparent that in the interim the position of the Railway management will be wholly impossible.

7. In connection with the matter I attach extracts from the report which have been received from the Hon. Mr. J. G. ... in the memorandum ... I shall be glad if the Government will consider the mentioned letter I received ...

the Hon. Mr. General Manager ... interest, viz: that the Railway loan works should pay interest on loan funds from the rates on which the amounts are actually expended. You will ... I disagreed with this contention ... to place on record my view ...

8. Loans ... amounts ... the expenditure of ...

9. ... for ... in the ... immediately produced ... and the ...

made in the loan ... the 25,000,000 ... for a period to be ... of the General Manager ...

views that the ...

Extract from letter No. G.A./J.247/7328 dated
28th November, 1923, From - The Chief Accountant,
Uganda Railway, to the General Manager, Uganda Railway.

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.....An important question is the rate of interest to be charged, and in this connection I invite attention to para 2 of the Treasurer's letter of 19th instant. It is stated that Loan Funds are being reimbursed by appropriating approximately £20,000 less, out of item 5 of the schedule of the £5,000,000 Loan than is provided for under item 12 of Revenue Head V of the 1923 estimates. It is presumed that this is calculated at short call rates, i.e. the amounts that Loan Monies advanced to the Colony's General Account would have earned had they been put out to interest. The point arises if these funds had not been advanced to the Colony's General Account but had been utilized for financing the £3,000,000 or second portion of the Loan, (and in this connection I invite attention to the Secretary of State's despatch Kenya 1583 dated the 11th October, 1921) the Colony would have had to pay interest on their overdraft at ordinary bank rates, and the question should, in my opinion, be considered whether we should be called upon to pay interest at higher rates than "short call ones" on advances under the £3,000,000 which is referred to by the Secretary of State in enclosure to the despatch referred to as "the second part of the Loan".

In other words, the Treasurer has used loan monies for General Account and is presumably reimbursing the Loan at "short call" rates, whereas, in my opinion, the General Accounts of the Colony should have been charged at "ordinary or bank" rates, and the Advances under the £3,000,000 loan be charged at "short call" rates. As a matter of fact the Secretary of State's implied ruling is

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very definite on this point. Please see.....Colonial
Office Despatch Kenya Confidential 18.2.23 para 4

'On such sums as may be provisionally advanced from
the first instalment of the loan during the year for
the purchase of debentures and other stock, as such
sums are issued'.

In short, the difference between "long" and
"short" call rates should fall on the Colony's Capital
Account and not on "Loan Advances".....

Extract from the General Manager's Memorandum
No. E.P.1/2 of 28th December 1923 - re LOAN EXPENDITURE
RELATIONS BETWEEN COLONY AND RAILWAY.

The Treasurer argues that the Colony which guarantees the loan is entitled to any advantage which may accrue from the use of loan money, but he has advised the policy rather than if the policy involves the door open to the Colony and funds to inflate railway and port capital expenditure which is not in the interest of the Government of the Colony, which is possible only by means of interest and cheap transport. The railway management and staff are of the opinion that the railway is of interest on capital expenditure large. The result of the "advantaged" which is to be used for the use of loan money, and cheap transport. If rates are either to be kept up or to be kept at a level which would not cover interest debts.

It is the opinion that the portions of the loan earmarked for railway and port purposes and the interest required for such purposes should be the Government's. The Government must either take the interest at full rate during the period of the loan and debit the railway or harbour capital account with the interest from the time the money is paid over by the Government, or, alternatively, the Government should pay interest at full rate on all portions of the loan not re-invested.

Certainly the Government should not use the money at 2% while debiting a sub-head to be subsequently distributed with 6%, and certainly, also, the Auditor should be called upon to give a certificate that the Railway capital account has not suffered and will not suffer by the Government use of the money.