

to the formation of the Railway Council. We must telegraph
for figures.

(3) As the Acting Treasurer points out, the Colony Estimates are worse than they look, since while the expenditure is for 9 months some of the revenue items are for 12 months. He points to certain possibilities of increased revenue and reduced expenditure in 1922, and he has omitted to take credit for the saving of loan charges on the existing loans, but it is obvious that for prospective purposes we must dwell on the probable 1925 onwards (when the loan charges will begin to be due) rather than on those of 1922. The enclosure to the Governor's despatch will of course have to go to the Treasury in connection with the approval of the loan as a Trustee Security.

(4) In continuation of the letter sent to D.A. on Gov./19686, we must now definitely ask them to advise as to probable price and rate of issue - how much should be issued etc., and also ask them to suggest a date. But they must make no application for a date till we have required the Treasury. Otherwise we might be in the position of last November, of having to cancel a date already fixed.

I gather that Ceylon has been delayed by the India loan and that we are lucky if we get the Kenya loan through by July. The Indian 7% at par has proved ^{unusually} attractive, but I do not know what Kenya should offer now.

It must be done in the way of examining details, but I send the papers at this stage to show that the proposal is not attractive,

Statement of the Military Expenditure of first importance,

of a certain nature which should be made clear to the Treasury and not just the figures

J.R. 27/11

No. 428

CO
20180
REC
APR 25 1921

29th March, 1921.

Memoranda by the
Treasurer & General
Manager, Uganda
Railway.

In continuation of my despatch No. 35
of the 14th March on the subject of the
proposed £9,000,000 loan to this Colony, I have
the honour to forward herewith memoranda by the
Treasurer and General Manager of the Uganda
Railway setting out the financial position of
the Colony.

I have the honour to be,

I have the honour to be,

G. W. G. G.

THE HONOURABLE
MEMBER FOR
SOUTH AFRICA
SECRETARY OF STATE FOR
SOUTH AFRICA

17th [unclear]
14th Churchill

You should see 14th Bottomley's
minutes on the general financial
point. I feel that the amazingly
small sum offered by India [the sum
by funds from 2 1/2% premium]
have secured all the colonial pledges
? Poured as to go on.

20. 6. 21

London, with [unclear] (1) Typed minutes.

See [unclear]

of military expenditure is settled; (b) the Crown Agents have advised as to the probable terms for the proposed loan; (c) a definite assurance is given that it is really necessary to proceed with the various works indicated, especially in the case of the Railways (£5,500,000 for the Railways is a very large sum indeed) and (d) the estimates of revenue from the Colony proper put forward by the Governor have been carefully examined as to the prospects of their being realised without hindering the development of the country.

[Handwritten signature]

3.5.21.

See C

Let me see the Railway projects (as a recap) on which these large sums are to be spent.

1921
24.5

W. Churchill

The accompanying draft

Note with, I think, gives you the information you require.

H. J. G.

The isolation of this large loan & the aspects will have to be further considered. It will probably cost 8% at present rates.

Li. H. R. L.

Pl. no. 1. H. R. L.

July 2. 1921

(1) See H. R. L. 1. H. R. L.

Similarly H. R. L. 1. H. R. L.

Amount of financial aid.

(2) A Commission be held concerning

Li. J. Stevenson, yourself,

Guarner, and any other C.A. experts

within who has to do with loans,

and, & Mr. Battersby (who is dead)

with the correct Kenya Settlements

and should in any case be brought

these general financial questions

It seems unless written to the Treasury

(and heard) as before.

C.A.S. 9.5.21

Telegraph as proposed - & the

mainly the papers.

at once.

H. J. G.

9/5/21

Li. H. R. L. 1. H. R. L.

It is possible to accept

to accept

4. J. R.

11/2/21

Alison D

Alison D

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1951

Alison D

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Could you
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Could the
back to the
again before

Alison D

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Alison D



REFER HERETO IN
YOUR REPLY.

TELEGRAPHIC AND
RAILWAYS, N
P. O. Box 22

Uganda Railway.

No. M. 6590/209

General Manager's Office.

1st March

The programme of work for the following year is suggested
as follows. It is to be noted that the programme is not
final and is subject to change. It is suggested that
the programme be approved by the Board of Directors
at their meeting on 1st March 1920.

Estimated Expenditure

Construction of new lines	2,670,000	
Construction of new stations	500,000	
Construction of new bridges	300,000	
Construction of new rolling stock	150,000	
Construction of new telegraph lines	539,000	
Construction of new telegraph stations	121,750	
Construction of new telegraph lines	1,000,000	
Construction of new telegraph stations	1,100,000	
	6,360,750	
	331,940	
	6,692,690	
	66,384	
	6,759,074	

To this
from
figures

Secretary

3. In order to reduce the total cost of the assumption that the debt will be liquidated, as laid down in the plan, the annual contributions of approximately \$1,000,000 will be required.

4. This sum will be used to pay the interest on the capital debt as shown in the plan.

5. From the foregoing it will be seen that the required amount from the Railway will be approximately \$1,000,000.

Respectfully,
[Signature]

~~It is also to be noted that the actual expenditure of the Railway will be added 5% discount on raising the capital debt. In addition must be added the proper interest on the debt. The period of three years' interest on the debt will be approximately \$1,000,000.~~

~~It is also to be noted that the actual expenditure of the Railway will be added 5% discount on raising the capital debt. In addition must be added the proper interest on the debt. The period of three years' interest on the debt will be approximately \$1,000,000.~~

Next this I give the following figures:

Imports and Exports at \$1,000,000 per annum
and operating cost of the Railway at \$1,000,000 per annum
Total of \$2,000,000 per annum

Imports and Exports at \$1,000,000 per annum
and operating cost of the Railway at \$1,000,000 per annum

Total of \$2,000,000 per annum

Respectfully,
[Signature]

1. The Government, responsible for the maintenance of the Railway, should be self-supporting, especially as I have more than 100,000 receipts on account of 'Passes and Tickets'.

2. Regarding the Illinois and Star routes, the Railways will have to find the following solution:

the revenue (a) Rs. 44,215 & (b) Rs. 44,215 & (c) Rs. 44,215 & (d) Rs. 44,215 & (e) Rs. 44,215 & (f) Rs. 44,215 & (g) Rs. 44,215 & (h) Rs. 44,215 & (i) Rs. 44,215 & (j) Rs. 44,215 & (k) Rs. 44,215 & (l) Rs. 44,215 & (m) Rs. 44,215 & (n) Rs. 44,215 & (o) Rs. 44,215 & (p) Rs. 44,215 & (q) Rs. 44,215 & (r) Rs. 44,215 & (s) Rs. 44,215 & (t) Rs. 44,215 & (u) Rs. 44,215 & (v) Rs. 44,215 & (w) Rs. 44,215 & (x) Rs. 44,215 & (y) Rs. 44,215 & (z) Rs. 44,215

425,582
85,761

8. It is extremely difficult to forecast the worst condition the country will be in 1925, but in the working of Kilindini Pier I have taken an average of 100% over the tonnage handled in 1919-1920, the averages about 50% of the total tonnage handled by Railway; on this basis I, therefore, arrive at the following figures:-

	Tons.
Tonnage handled in 1919-1920	<u>233,844</u>
50%	116,922
Add 100% for expected increase in imports and exports	116,922
Inter station traffic	116,922
Add 50% for expected Inter station increase	58,461
	<u>409,227</u>

GIVING AN INCREASE OF 75% OVER 1919-1920 TONNAGE.

9. It is also difficult to estimate what the ratio of total expenditure to gross receipts will be in 1925, but taking it at 80% and at the existing rates without surcharge, the following will be the results, allowing the increase in tonnage to bear the same ratio as increase in revenue:-

Gross Revenue 1919-1920 at Rs. 10 to the 2	888,000
Add 75%	<u>666,882</u>
	1,554,000
Less 80% expenditure	<u>1,243,200</u>
Leaving surplus of	310,800
To meet payment (annual) of	<u>511,343</u>
Giving a net deficit of	2,00,543

10. To meet the deficit of Rs. 2,00,543 it will be necessary to allow for the following:-

In order to release the total capital of Rs. 1,00,00,000 for the construction of the Kilindini Pier I have made no allowance for the receipt on account of "Dues from Vessels".

This amount is arrived at by taking 1.5% on the total capital debt as shown in paragraph 1. From the foregoing it will be seen that the annual payments required to meet the interest and sinking fund will be:-

Interest	204,970
Sinking fund	<u>101,760</u>
	306,730

Therefore, the annual charge will be:-
Rs. 41,502,822 at 6%
Rs. 41,502,822 at 1.5%

Rs. 41,502,822	23,388
Rs. 41,502,822	<u>23,388</u>
	46,776

To meet this I give the following estimates:-

Imports and Exports at 200,000 dead weight tons and converting 2/3 of this total into shipping and converting 2/3 of this total into shipping	400,000 tons
Less working expenses @ 2 1/2%	10,000
Balance	390,000
Deduct interest @ 7 1/2%	30,000
Net profit	360,000

I therefore, consider it safe to say Kilindini Pier will be self-supporting, especially as I have made no allowance for the receipt on account of "Dues from Vessels".

Deducting the Kilindini Pier portion of the loan the Railway will have to find the following annual payments:-

the proposal (a) 25,445,215 & 1.6% increase in 425,582
 gross receipts (b) 26,740,215 & 1.9% increase, which 85,761

8. It is extremely difficult to forecast the tonnage which condition the country will be in 1925, but in the working of Kilindini Pier I have taken a general 10% over the tonnage handled in 1919-1920. The averages about 50% of the total tonnage handled by Railway; on this basis I, therefore, arrive at the following figures:-

	Tons.
Tonnage handled in 1919-1920	<u>333,844</u>
50%	116,922
Add 100% for expected increase in imports and exports	116,922
Inter station traffic	116,922
Add 50% for expected Inter station increase	<u>58,461</u>
	<u>409,227</u>

giving an increase of 75% over 1919-1920 tonnage.

9. It is also difficult to estimate what the ratio of total expenditure to gross receipts will be in 1925, but taking it at 80% and at the existing rates without surcharge, the following will be the results, allowing the increase in tonnage to bear the same ratio as increase in Revenue:-

	£
Gross Revenue 1919-1920 at Rs.10 to the £	888,000
Add 75%	<u>666,000</u>
	1,554,000
Less 80% expenditure	<u>1,243,200</u>
Leaving surplus of	310,800
To meet payment (annual) of	<u>511,343</u>
Giving a net deficit of	2,200,543

10. To meet this deficit and also to allow contribution to

REPORT ON THE QUESTION OF THE ABILITY OF THE COLONY OF KENYA TO MEET THE INTEREST & SINKING FUND CHARGES ON A LOAN OF APPROXIMATELY 2,000,000.

2,000,000

It is understood that had a loan been raised the terms would probably have been fixed at 9 1/2 with a Sinking Fund of 7 1/2 per cent. on the total annual charge, allowing for the cost of issue and provision for premium on redemption, being 17-16-3 per cent.

The interest on the loan would be payable in the form of a sinking fund of 7 1/2 per cent. on the total annual charge, allowing for the cost of issue and provision for premium on redemption, being 17-16-3 per cent.

In a statement attached hereto it is shown that the interest on the loan would be payable in the form of a sinking fund of 7 1/2 per cent. on the total annual charge, allowing for the cost of issue and provision for premium on redemption, being 17-16-3 per cent.

It is suggested that the loan should be repaid by the Colony and that the interest on the loan would be payable in the form of a sinking fund of 7 1/2 per cent. on the total annual charge, allowing for the cost of issue and provision for premium on redemption, being 17-16-3 per cent.

6. The Municipality has up to the present met the whole of its expenditure without the aid of a loan.

of a

of a rate but is now about to raise a rate. Its financial position is satisfactory and the Government will retain full administrative and financial control to ensure that the charges. A statement of the proposed charges of the Municipality is attached hereto.

Eliminating item 11 from the Municipalities, together with the other items mentioned in the report, it is estimated that the total amount of the proposed charges that will be levied on the Municipality will be \$1,000,000 which is my opinion is about the same as the amount now levied.

Item 12 - Buildings, a charge of \$100,000 per annum for every office building and every house. It is impossible to estimate the amount of the charge which will be levied on the various office buildings and not on the houses. I mention the point to make it clear that the charge on this item will be levied on the revenue.

As to item 10 - Roads, the imposition of a road or wheel tax will be considered with a view to taxing vehicles in proportion to the damage they do to roads. Such a tax besides producing revenue would have the effect of causing wheels to be used which would do less damage to roads than occurs at present and so reduce the cost

of a rate but is now about to raise a rate. Its financial position is satisfactory and the Government will continue to exercise financial control to ensure that no charges. A statement of the Municipality proposes to be attached hereto.

Eliminating the... together with the... charges that will... which in my opinion is...

... buildings, a... official... House... it is impossible to... on the... and not on... the point... less than the whole... of 27,000 on this item will... from revenue.

As to item 10 - Roads, the imposition of a road or wheel tax will be considered with a view to taxing vehicles in proportion to the damage they do to roads. Such a tax besides producing revenue would have the effect of causing wheels to be used which would do less damage to roads than occurs at present, and so reduce the

cost of maintenance.

10. Before, however, making suggestions as to how the sum required might be found it is necessary to refer to the present financial position of the Colony.

11. The Statement partly estimated Assets and Liabilities on the 31st March (Appendix B to the Estimates for April to December 31st 1921) shows that the Liabilities are expected to exceed the Assets by £17,220 but since this statement was prepared it has been decided that Income Tax for 1920 shall not be collected so that the deficit must now be increased by the estimated revenue from Income Tax for 1920 i.e. £89,292 making a total estimated excess of Liabilities over Assets on March 31st 1921 of £255,512.

12. In this connection I ought to mention the position of the Post Office Savings Bank which formed the subject of correspondence with the Secretary of State (vide C.G. Despatch No. 1262 of August 31st 1920). The investments of the Bank had depreciated owing to the general fall in prices of securities and the liabilities in terms of sterling were increased by 50% owing to the stabilization of the rupee at two shillings. When making up Appendices A, All, and B of the Estimates for April to December 1921 I found the general financial position much better than had been previously expected and I therefore considered it advisable to write up the liabilities to their full extent but I did not write

down

cost of maintenance.

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down

whereas the revenue from two of the main sources will remain approximately the same.

17. The year 1922 has the prospect of being a year of Customs Duties as a result of an increase in the allowance now paid on foreign goods and on imports, which amounts to a total of £300,000 per annum. The fall in prices of imports and the introduction of a shilling coinage, which it is hoped will take place before the end of the current year and reduce the cost of living, should facilitate a reduction in the local allowance.

18. That the year 1922 will be a difficult one financially is obvious, but once passed the financial position should rapidly improve.

19. Four years hence, when the loan charges start to fall due, the position should be totally different from what it is to-day. At present the country is at the bottom of the pit of depression and prospects for the future are good.

The extension of the Plateau and Main Valley of the Nairobi Extension will open up what is probably the richest agricultural land in Kenya Colony (already well settled and daily becoming more so) and tap large forest areas with great wealth of timber.

... ordinary settlers and the ... they are affecting the ... with extensive ... the development such as rice and sugar cane ... a large scale, production of industrial alcohol,

whereas the revenue from two of the main sources will remain approximately the same.

17. The Government's plan in the proposed budget to increase Customs Duties, and a reduction in the Special Allowance now paid as a concession to foreign investments, which all these amounts to a total of £200,000 per annum. The fall in prices of imports and the introduction of a shilling coinage, which it is hoped will take place before the end of the current year and reduce the cost of living, should facilitate a reduction in the Special Allowance.

18. That the year 1932 will be a difficult one financially is obvious, but once passed the financial position should rapidly improve.

19. Four years hence, when the loan of £100,000 starts to fall due, the position should be totally different from what it is to-day. At present we are at the bottom of the pit of depression but prospects for the future are good.

20. The extension of the Plateau and Malt Valley and the Nairobi Extension will open up what is probably the richest agricultural land in Kenya Colony (already well settled and daily becoming more so) and tap large forest areas with great wealth of timber.

21. The extension to ordinary settlers and the extension to large scale farmers are affecting the development such as rice and sugar cane on a large scale, production of industrial alcohol.

alcohol, meat canning, tanning and leather works, brick and tile works, paper making etc., etc. Furthermore, the various mineral resources of the country are receiving attention.

22. The knowledge that the Government is largely developing communications and harbours will stimulate existing settlers, induce others to come, and increase the flow of capital for private development.

23. During the period of construction, the expenditure of a large portion of the loan locally cannot but have the effect of increasing the circulation of money, thereby helping the country to get through the period and paving the way to increased production later.

24. It is expected that in four years hence the market for East African exports will begin to be opened up in which they should find an outlet. The anticipated reduction in the cost of shipping freights, and local transport costs will materially affect the position for the better.

25. The general improvement of the Colony forecast above will naturally increase the taxable capacity of her peoples, both in indirect and direct taxation (such as Customs Duties and Income Tax) and render possible additional taxation:

Import Duties. An increase of 5% would produce at the present time approximately \$175,000 per annum. In 1925 it might be expected to produce considerably more.

Income Tax. The schedule has been considerably

considerably increased and the tax may be expected to produce much more in 1925 than at present.

Estates Tax. Increasing numbers of Indians and Europeans who have adopted this young country are now approaching an age when the natural limitation of the lifetime of man may be expected to operate. Many of these are not wealthy and property of considerable value. These facts together with the recent introduction of the English mode and the improved method of collection which is being adopted should produce considerably increased revenue in the future.

Cattle Tax. Although at present a cattle tax may be impracticable owing to the absence of an adequate market for the disposal thereof (dead or alive), or to other causes, it does not follow that such conditions will continue to prevail.

A movement in the direction of conserving cattle is under consideration which, if carried into effect is expected greatly to increase the number of head in the country. At present a tax of one florin per head per annum would produce something in the neighborhood of 200,000 and such a tax could, under better conditions, be imposed without inflicting the least hardship.

Tax on the unearned incremental value of land. A Special Committee of the Legislature has this matter under consideration as a reasonably a legitimate means of raising revenue.

considerably increased and the tax may be expected to produce much more in 1925 than at present.

Estate Tax. Increasing numbers of Indians and Europeans who have adopted this young country are now approaching an age when the natural limitation of the lifetime of man may be expected to operate. Many of these are not wealthy and property of considerable value. These facts together with the recent introduction of the English mode and the improved method of collection which is being adopted should produce considerably increased revenue in the future.

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Tax on the unearned incremental value.

A Special Committee of the Legislature will consider this matter under consideration. It is unquestionably a legitimate means of raising revenue.

26. It should be understood that I am not suggesting that increased, or new, taxation in the forms mentioned will be unavoidable. I wish merely to indicate that in a few years' time, under more prosperous conditions, the Colony will not be bankrupt of possibilities of raising additional revenue if required.

27. I should prefer to regard all such taxation as available to meet the rapidly increasing expenditure of the Colony, and especially for a sum of a portion of the total amount paid to European citizens for the purpose of carrying the loan charge.

28. It has already been shown that the equal charge on the taxpayer of the Colony in respect of local taxation is approximately 10s. per year and the rate of the local charge is nearly 10s. per year.

29. If it were found expedient to increase the amount of the local charge in order to meet the increasing expenditure of the Colony, it would be necessary to increase the rate of the local charge.

30. On the other hand it would be possible to effect a saving entirely, at the least, in the amount of the local charge by effecting a saving effected might be effected by a reduction in some portion of the expenditure, such as for the purpose of the loan charge for conserving water, and so on, and so on, and so on, the loan charge.

31. The foregoing are merely suggestions for effecting a saving which, in part or in whole, should

three years, the

December 31st

include not

as far

the general

on such

personally I am convinced that whether

the policy be adopted now for providing

required for the loan charge or not,

will be in a position to meet that charge

General Remarks

The Hon. the Treasurer in his report

is in support of his

Miigini Pier

of the loan

the question as

in general I

agree with the Treasurer.

85. Much that I have said above in regard to the future prospects of the Colony applies equally to the future of the Railway.

86. A considerable sum is included in the loan for essential general improvements to make up the Railway caused by starvation in the past and it appears from the operations of a Special Commission that it is intended that the Railway be completely

37. Completion of the capital works

contemplated would therefore coincide with a reorganized, reorganized and considerably extended railway system, reduced working costs and increased traffic.

38. Nearly four years service as Assistant, Acting Deputy and Acting Chief Accountant of the Railway convinces me that if the reorganization is carried out successfully and in detail the saving that will result will be surprising.

39. It is difficult to think that the proposed General Manager of a reorganized railway system such a reorganization would be in consequence is not unduly optimistic. The figures are clear.

40. It must not be forgotten that there is a reasonable prospect that a railway system, reorganized and by three new branch lines in various parts of the country fully developed, will be able to carry a large passenger and provide for low and satisfactory rates. In the first year, the proposed saving of £100,000 is an alternative saving rate, from which one good. The new system is a new plan for such as is contemplated for the future.

41. The statements in this report must be attributed to the extreme pressure under which it has been prepared.

J. H. Ruston

ACTING TREASURER.

Sirobi,

31st March, 1921.

MUNICIPALITY OF NAIROBI.

(a)	Plant for the maintenance of roads.	£. 10,000
(b)	Purchase of Water Supply	" 20,000
(c)	Extension of Water Supply	" 30,000
(d)	Municipal Offices (1st instalment for the inception of a scheme for the erection of a Town Hall, Council Chamber and offices.)	" 20,000
(e)	General Improvements in Sanitation, Roads etc.	" 15,000
(f)	Native Location	" 5,000
		<u>£. 100,000</u>

TELEGRAM from the Governor of ...
for the ...

(Received ...)

30th July 1922 ...
and by drastic pruning ...
police medical agriculture ...
customs duties can be imposed additional £150,000 might be
realised. A possible £87,000 might be raised by a tax
of three pence per acre but this seems likely to be
to newcomers and would have to be enforced as a
measure against great opposition. Can suggest
means of raising revenue. Possible realization of
by an local allowance of ... of any ...
present justified only slight curtailment. ...
discussion detailed information on budget. ...
near every possible economy short of reduction in ...
establishment is being effected.

NORTH ...

