

KENYA  
NYASALAND PROT

651

31

TREASURY

LOAN

1914

5th Jan 1914

Last previous Paper.

Govt 6/1904, 1/2  
1/2  
1/2

If after consideration of the  
in April 1914 it is wished to press  
Nyasaland allocation from 2816,000 to  
to ensure in principle, but must be  
met without assistance from Imperial  
observations as to allocation of U.K.  
repayment of advance already made.  
can support loan of size proposed  
resources.

Sir H. Head

This is to be considered  
urgent work, & some of the  
due to the urgency of the  
e.g. the City of D.O. letter  
attached has been obtained  
Treasury

(1) Withdrawal of loan Kenya & N  
the 1914 Act.

The Treasury quote of 1914

(2) Honorable C. H. ...  
House of Commons, with  
opinion, without, 6th 1914

If has not been possible to see  
a detailed estimate ... If it is found that  
the railway in Nyasaland ought to  
have a little more and that the railway  
in ... ought to be ...  
a little less of ...

Ans'd cont. 20 Jan 21. L  
Ch. H. B. ...

Next subsequent Paper

Govt 10/1914  
1/2

that they should be that power of  
overment.

We may readily concede that Lord  
Hammont did not then contemplate a  
violation of more than twice the  
original estimate for the New Zealand  
Railway. On the other hand, the Treasury  
recognize that there has been a war  
in the interest & that let us not  
insure the charges to be met  
without assistance from the Imperial  
Exchequer.

It is not for to increase  
the size of the debt & to increase before  
considering the promise, but it would  
in a more responsible before a bridge  
without reservation we might ask  
that any charges not budgeted out of  
income should form a fund debt, but  
first we have to decide whether to  
accept the Treasury attitude that  
there shall be no more grants in aid  
in any circumstances.

\* Payment  
not by  
New, but  
Trans-land  
grants  
for 2500

Disruption of railway from Kenya.

It is important from the Eastern point  
of view of Mr. Hammont's mission  
and the Sultanate, now under  
administration.

The Treasury letter of 1892 is lost

not very intelligible by itself, but clearly the effect is as in Mr. Hanbury's statement, the relevant parts of which (and of Mr. Churchill's statements) I have extracted on the sheet attached. Please see also Treas./44041/06 in which they agreed to the profits from land in the Railway zone being kept by the E.A.P. so long as it was not self-supporting. No point of this kind was raised when the Protectorate was released from Treasury control in 1913; the Treasury would say (as is clear from the present letter) that this was because the Railway revenue was necessary to make both ends meet, and we are to suppose that the Treasury have been waiting until that condition no longer existed in order to claim the surplus profits of the Railway. On this point,

5 of 6 of 996  
 ? Point out that no reservation with regard to the railway revenue was made when the control of the finances of the E.A.P. was handed over by the Treasury in their letter of 6th Sept. 1913, and that that surrender of control left the Govt. free, either to reduce railway rates if the profits were in excess of what was required to balance general revenue and expenditure, or to apply the profits to development purposes - and say that the latter point was clearly admitted by the fact that Parliament in 1914 authorised loans for development purposes up to £1,855,000 at a time when, as the Treasury point out, the charges could only be borne <sup>with the help of railway</sup> out of Imperial revenue. Further, the principle that profits should be applied to development purposes is clearly stated in Mr. Churchill's reply in the House of Commons on the 6th of August, 1907.

There is, however, a further and even more important point, ~~and~~ the Treasury bring war expenditure into this matter. As regards the Colony's administrative expenditure



UGANDA RAILWAY.Statements in Parliament.

1st June 1906. Mr. HANSBURY - ..... The annuities are to be paid out of the funds of Parliament for the following years, and if these are insufficient, out of the consolidated Fund. The excess of receipts over actual working expenses will be a debt to the Exchequer.

Mr. CHURCHILL, 17/8/07. - ..... The revenue of the Railway is merged in general revenue of the Protectorate, and as that revenue requires a considerable grant from Imperial funds in order to balance the expenditure, there is at no prospect of meeting the charges of the Railway out of local resources.

Mr. CHURCHILL, 29/7/07. - The annuity will be payable in full for the present, as it is considered that the interests both of the British taxpayer and the East African and Uganda Protectorates will be better served by applying the annual profits to the development and extension of the Railway with a view to increasing still further the profits derived from it. If present arrangements are continued, the Railway will belong to the Imperial Government when the debt is paid off.

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

631  
REC'D  
REV'D 6 JAN 21

TREASURY CHAMBERS.

5 January, 1921.

S/4648.

Sir,

1. I have laid before the Lords Commissioners of His Majesty's Treasury Sir H. Read's letters as noted in the margin on the subject of the proposed issue of a general loan by the Kenya Colony and Protectorate and They direct me to request you to place before the Secretary of State for the Colonies the following reply.

October 1920  
/20/ Kenya  
November 1920  
/20/ Kenya  
November 1920.  
ca 5742/1-6a  
November, 1920.  
/20/ Kenya

2. My Lords feel some hesitation in exercising the power of virement conferred upon Them by Section 1 (2) of the East Africa Protectorates (Loans) Act 1914 to such an extreme extent as to allocate none of the sums to be raised under the Act to one of the then participants while raising the amount allocated to Nyasaland from £314,000 to something in the neighbourhood of £2,000,000. In this connection They would call particular attention to the statements of the then Colonial Secretary during the debate on

The Under-Secretary of State,  
Colonial Office.

Railway system should no longer be available to provide general revenue for Kenya Colony. Lord

Kilner will be aware that the Railway was provided entirely at the expense of the Imperial Exchequer.

I am to point out that when this arrangement was under consideration between this Department and the Foreign Office it was stipulated originally in the draft Bill and subsequently by Treasury letter to the Foreign Office of the 26th June 1896 that the net revenue from the Railway should be paid into the Exchequer until the advances therefrom had been repaid in full and thereafter until otherwise determined. I am also to refer to the statements made to the House of Commons on the subject by Mr. Hanbury on the 1st June 1896 and by Mr. Churchill on the 17th June and 6th August 1907. This stipulation has not in fact been operative because in the earlier years the revenue of the Protectorate, including Railway profits, was insufficient to meet the expenditure without recourse to a grant in aid,

and

capital obligations of Uganda transferred to the Government of Kenya.

6. Their Lordships note that it is proposed to float a Kenya loan of £4,000,000 as part of a larger issue. They presume that Lord Milner is satisfied that the Colony, in view of its present financial position, and in particular of the still unsettled question of its indebtedness for the expenditures incurred in defending the territory in the recent war, will be able to support a loan of the magnitude proposed and to bear the charges thereon from its own resources, but they will be glad to receive his Lordships' assurances on these points.

7. My Lords note that the necessary formal steps are being taken to comply with the Treasury conditions under Section 2 of the Colonial Stock Act.

8. They welcome Lord Milner's proposal that East Africa should refund out of the proceeds of the

expressed to be for repayment on the basis of the present value at the time of repayment of the outstanding annuity calculated on a 6% basis.

9. My Lord, note from Sir R. K. R. G. D.'s letter of the 10th November that it is now proposed to postpone the Kenya issue until June next. In the meantime they will be glad to receive Lord Milner's observations on the considerations mentioned in this letter.

40/58000

I am,

Sir,

Your obedient servant,

*P. Whiteley*

26th June, 1896.

9815  
96.

Sir,

The Lords Commissioners of Her Majesty's Treasury request you to inform the Marquess of Salisbury that on further consideration, it has seemed expedient to much shorten the Uganda Railway Bill, by revising the provisions relating (1) to the construction of the Railway, acquisition of land etc., (2) to the disposing of the Railway receipts etc., (3) to the mode of rendering accounts etc.

My Lords are afraid that there might be some constitutional difficulties in the way of legislation by Act of Parliament for the construction of works in a certain class, and are advised that whatever is necessary in this respect can be done more fittingly by Order in Council under the Royal Jurisdiction Acts.

The dealing with the Railway receipts is now arranged by correspondence between the Treasury and Foreign Office. The mode of rendering accounts can be settled by the Treasury, if power for this purpose be taken by the Bill. The Secretary of State will understand that my Lords adhere to the provisions cut out of the Bill, and desire them to be carried out. The only change is that they will not be carried by statute.

Copies of the shortened Bill and a copy of the latest revision of the longer Bill, viz; that of 21st ultimo, have been already previously given to the Foreign Office.

I am, Sir,  
Your obedient servant,

(Sd.) FRANCIS MONTAGU.

Under Secretary of State,  
Foreign Office.

*Ind*

Downing Street,

28 January, 1921.

Sir,

I am etc. to acknowledge the receipt of your letter No. S. 4648 of the 5th of January, and to request you to inform the Lords Commissioners of the Treasury that the question of railway extension in Nyasaland is now engaging their attention, and that a further reply to your letter will be sent on this point at a later date.

2. In regard to the general question of the net revenue from the Uganda Railway system, Lord Milner has learnt with some surprise that the Lords Commissioners take exception to the principle that the profits of the railway should be devoted to the future development of the territories which it serves, and for the development of which the <sup>line</sup> ~~road~~ was originally constructed. He had anticipated that they would welcome an arrangement which is intended to ensure, as far as that can be done, that these territories will not in future require the assistance of the Imperial Government.

3. While Lord Milner recognises

DRAFT.

SECRETARY,  
TREASURY.

MINUTE.

*Amery 15879*

*Bottomley 21/1/21*

- Grindle.*
- H. Lambert.*
- H. Road 22/1*
- G. Piddes 25*
- Amery.*
- Milner 28.1*
- for Amery*

2 dra 2/3.

Downing Street,

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2. In regard to the general question of the <sup>application of the</sup> net revenue from the Uganda Railway system, Lord Milner has learnt with some surprise that the Lords Commissioners take exception to the principle that the profits of the railway should be devoted to the future development of the territories which it serves, and for the development of which the <sup>line</sup> ~~road~~ was originally constructed. He had anticipated that they would welcome an arrangement which is intended to ensure, as far as that can be done, that these territories will not in future require the assistance of the Imperial Government.

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- Mr. Grindle.
- Sir H. Lambert.
- Sir H. Read. 22/1
- Sir G. Fiddes. 25
- Col. Amery.
- Lord Milner. 28.1

*Handwritten:* for concern

2 dra. 22.

that at the time when the railway was constructed it was contemplated that future profits should accrue to the ~~Government~~ <sup>the</sup> Taxpayer. He cannot but think ~~in~~ <sup>the</sup> position of the Government with regard to Parliament has been materially altered by what has passed since that date. Mr. Parnell's reply in the House of Commons on the 6th of August, 1917, to which reference is made in your letter, clearly laid down the principle that profits should be devoted to development, <sup>Further,</sup> ~~while~~ in 1914, at a time when the East Africa Protectorate was already independent of the financial control of the Treasury, Parliament authorised a loan to that Protectorate for development purposes up to an amount of £1,868,000 ~~although at that time the charge could only be borne with the help of railway revenue.~~

*and, by doing so, clearly recognized that the best way of the country was to take over the immediate interest which the Government in the application of the revenue of the railway*

4. Further, Lord Milner is not aware that any reservation with regard to the ultimate future was made by the Treasury when <sup>with the S. of F. for Foreign Affairs</sup> they agreed that the administration of the Uganda Railway should be taken over by the East Africa Protectorate, and there ~~were~~ <sup>was</sup> certainly ~~no such~~ reservations when the control of the finances of the Protectorate was handed over to the Secretary of State in your letter of the 6th September, 1913. The surrender of that control left the Secretary of State equally free, as he might think fit, either to apply the profits of the railway to development purposes or to reduce railway rates if the profits were in excess of what was required to balance general revenue and expenditure.

5. With regard to para. 4 of your letter

letter, the Governor has assured the  
 Secretary of State that he will  
 meet the general expenses that recur  
 to railway revenue as well as the amount in re-  
 gard to Customs duties that have been obtained as  
 the result of the <sup>International</sup> Convention of the  
 29th September, 1923. With regard to war-  
 expenditure, the Government will  
 from the present date will be liable for the  
 maintenance of the railway beyond the  
 the Colony beyond the normal pre-war annual  
 military expenditure. It is, however, to  
 be decided by His Majesty's Government to lay  
 upon the Colony any additional burden in res-  
 pect of the war, if a burden would necessarily  
 have to be met by the Government beginning  
 at some date. The date of the beginning of the  
 would be later than the date of the commencement of ex-  
 penditure for war.

5. In these circumstances Lord Milner  
 was asked that Their Lordships will leave him  
 free to follow such a policy with regard to  
 the Uganda Railway, including the fixing of  
<sup>the 1914 rates</sup> ~~the 1914 rates~~ and the application of net profits  
 as he may consider fit for the general  
 interests of East Africa without any appre-  
 hension lest at some future date the Imperial  
 Government should make any <sup>demand</sup> ~~claim~~ upon the  
 railway for the surrender of its profits.

2. With regard to para. 5. of your  
 letter I am to make it clear that if it is  
 impossible to devote the profits of the