

1923

KENYA

193

33987

FROM *R. G. ...*

DATE *24 July 1923*

RE 10 AUG 23

FOR CIRCULATION—
Mr.
Mr.
Mr.
Asst. U.S. of S.

Perm' U.S. of S.
Parb' U.S. of S.
Secretary of State.

SUBJECT
Financial position

Observations on

Previous Paper

B.A.
30719

MINUTES

*This should wait for
Mr. Atkinson's return.
Rec'd. 17 Sept.*

*Rec'd
15/8/23*

*Nothing to be done at the moment!
The next question is the withdrawal
of the war-pension...
...
... shall come before them in
one before the... (I have
suggested...) I...
...
...
...
...
On the 14th... is ready*

Subsequent Paper

4408/24

to be begun.

From the Memorandum
of April - Oct. 1944
it is clear that the
Appt. of the Secretary C^o
came late. As far
as we are concerned we
was nothing at that time
(4y. at the time of the
issue of the first loan in
Nov. 1944) to show how
bad the position was.

Finally

wait a month.

W.S.

4.9.23

at home

The joint, or common (with
in the morning first on his
account) will be that the
local bank balances ought
not to be used up in the
of C.F. making advances;
but this means in '8.

Said was discussed with G.C.
Morning but wanted for the
Selection of the remainder of the
Memorandum of the C.F. and
W.S. 4.9.23

KENYA GOVERNMENT.

No.

KENYA, EAST AFRICA.

9th July, 1923.

My dear Bottomley,

I have received your letters of May 17th and 30th. I have seen Felling on the subject of Railway administration and control and I think he realizes that you are doing what you can to give him a free hand. We have been very fortunate indeed to have secured his services and I think you will find that by the time he has finished his reorganization we shall have a far more efficient and economical railway system than ever before. The weakest spot is, without any doubt, the Mechanical Department and I am afraid the late Chief Mechanical Engineer let the late Manager down very badly. Mr Wheatly, whom we borrowed from South Africa to enquire into that branch, has submitted a very comprehensive, but rather technical, report. There appears to have been considerable wastage and unnecessary expenditure not only of a recurrent nature but also in connection with the more recent orders for plant and machinery.

I am having the matter of Enemy Property gone into and will address you later on the subject. You will have heard that poor Parkinson died last month. Heaven, his Assistant, has been in hospital ever since and leaves for home this week. We have had to improvise a temporary Administrator General's Department.

Now as regards finance. The position as regards cash balances is admittedly very unsatisfactory and this we have fully realized. If it had not been for unspent loan funds there would have been a large overdraft with the Crown Agents.

This would have been

195

This would have been mainly due to the value of our unallocated stores and the amount of cash balances carried locally. You will observe from the statement enclosed in your second letter that during the eight months under review no funds were remitted home. They were not wanted so long as loan funds lasted out and it would have been a waste of money to remit cash at 1%. In the meantime of course, our local balances were steadily mounting up because the railway earnings, customs receipts and other local revenue exceeded local expenditure. At the end of 1921, our local cash balances amounted to £367,437. By the end of 1922 they were £583,175. Revised estimates for 1923 will be ready by the end of this month and a forecast of the position both at home and out here will be ready shortly. The deficit on our working for 1922 was £323,180. The amount borrowed from loan funds during 1922 was £425,657. The difference, £102,477 is thus considerably more than covered by the increase of £215,738 in our local cash balance.

Our financial position has been very bad at least since the end of 1920. During the nine months period, April 1st to December 31st, 1921, although we credited £600,000 to revenue from the first loan, our "surplus" only rose from £205,627 to £430,521 which means that our loss on working for that period was £375,000. This was followed by the £323,180 deficit on 1922 working referred to above.

I hope that this year we shall come out all right on our ordinary revenue and expenditure. The Customs returns for the first six months are very satisfactory and if maintained will show a surplus of over £80,000. But we shall not be able to define our financial position clearly until we have come to an agreement with the War Office and know exactly what our liabilities are. These do not all figure on our books, e.g. the K.A.R. contribution for 1919/20.

A despatch on the subject of War Office accounts is leaving by this mail and will, I hope, clear up matters. Our

books

196

books show that they still owe us a considerable sum, even after deducting the 1919/20 K.A.R. contribution and I think you should insist on their settling up to date on the understanding that any subsequent claims submitted by Captain Nicolson and accepted by us will be duly paid.

I am very anxious to reduce the enormous figures appearing in our books under Suspense Headings (vide Appendix A to the 1923 Estimates) by effecting various cross-entries and if possible leaving only one account in suspense.

It is obvious that when loan funds are becoming exhausted we shall have to make some other arrangements for obtaining a working cash balance. This is a matter you will doubtless take up with the Crown Agents. My personal view is that we should raise the necessary funds by a short-term war loan and budget annually for a surplus to be applied to its repayment. The £600,000 appropriated in 1921 was insufficient.

I am not surprised that you find the question of Kenya's finances getting too much for you! You must remember that besides losing the Railway profits which in the past were credited to Revenue, we were knocked sky high by the exchange fixation. This as regards Asiatic salaries at least has left a practically permanent incubus. My Committee (the Economic and Financial Committee) found it hard to cut down our expenditure still more than we did. But you could not accept some of the chief proposals e.g., Asiatic cut, local allowances and the amalgamation of K.A.R. and Police. Then there is the enormous unremunerative cost of guarding the Abyssinian frontier which is surely at least partly an imperial issue.

However, I am hopeful of the future though we cannot of course reconstruct in a day. Trade is certainly improving and our Customs Revenue in 1924 will, I hope, show an increase over this year

this year's estimate of over \$100,000. Once the Indian Question is settled things will improve still further.

In the meantime we are devoting our attention to new sources of revenue but it is difficult to hit on anything that will be equitably distributed without doing more harm than good.

I am afraid that Coryndon's prolonged stay in London will delay my departure but I hope to be home by October at the latest and will be furnished with the latest information on the subject of ...

Yours

[Handwritten signature]

[Handwritten initials]

This would have been mainly due to the value of our unallocated stores and the amount of cash balances carried locally. You will observe from the statement enclosed in your second letter that during the eight months under review no funds were remitted home. They were not wanted so long as loan funds lasted out and it would have been a waste of money to remit cash at 1%. In the meantime of course, our local balances were steadily mounting up because the railway earnings, customs receipts and other local revenue exceeded local expenditure. At the end of 1921, our local cash balances amounted to £367,437. By the end of 1922 they were £583,175. Revised estimates for 1923 will be ready by the end of this month and a forecast of the position both at home and out here will be ready shortly. The deficit on our working for 1922 was £323,180. The amount borrowed from loan funds during 1922 was £425,657. The difference, £102,477 is thus considerably more than covered by the increase of £215,738 in our local cash balance.

Our financial position has been very bad at least since the end of 1920. During the nine months period, April 1st to December 31st, 1921, although we credited £600,000 to revenue from the first loan, our "surplus" only rose from £205,627 to £430,521 which means that our loss on working for that period was £375,000. This was followed by the £323,180 deficit on 1922 work referred to above.

I hope that this year we shall come out all right on our ordinary revenue and expenditure. The Customs returns for the first six months are very satisfactory and if maintained will show a surplus of over £80,000. But we shall not be able to define our financial position clearly until we have come to an agreement with the War Office and know exactly what our liabilities are. These do not all figure on our books, e.g. the K.A.R. contribution for 1919/20.

A despatch on the subject of War Office accounts is leaving by this mail and will, I hope, clear up matters. Our

books show that they still owe us a considerable sum, even after deducting the 1919/20 K.A.R. contribution and I think you should insist on their settling up to date on the understanding that any subsequent claims submitted by Captain Nicolson and accepted by us will be duly paid.

I am very anxious to reduce the enormous figures appearing in our books under suspense Headings (vide Appendix A to the 1923 Estimates) by effecting various cross-entries and if possible leaving only one account in suspense.

It is obvious that when loan funds are becoming exhausted we shall have to make some other arrangements for obtaining a working cash balance. This is a matter you will doubtless take up with the Crown Agents. My personal view is that we should raise the necessary funds by a short-term war loan and budget annually for a surplus to be applied to its repayment. The £600,000 appropriated in 1921 was insufficient.

I am not surprised that you find the question of Kenya's finances getting too much for you! You must remember that besides losing the Railway profits which in the past were credited to Revenue, we were knocked sky high by the exchange fixation. This as regards Asiatic salaries at least has left a practically permanent incubus. My Committee (the Economic and Financial Committee) tried hard to cut down our expenditure still more than we did. But you could not accept some of the chief proposals e.g., Asiatic cut, local allowances and the amalgamation of K.A.R. and Police. Then there is the enormous unremunerative cost of guarding the Abyssinian frontier which is surely at least partly an imperial issue.

However, I am hopeful of the future though we cannot of course reconstruct in a day. Trade is certainly improving and our Customs Revenue in 1924 will, I hope, show an increase over this year

197

this year's estimate of over \$100,000. Once the Indian Question is settled things will improve still further.

In the meantime we are devoting our attention to new sources of revenue but it is difficult to hit on anything that will be equitably distributed without doing more harm than good.

I am afraid that Coryndon's prolonged stay in London will delay my departure but I hope to be home by October at the latest and will come ~~armed~~ with the latest information on the subject of our finances.

Yours sincerely,

