

1924

KENYA
UGANDA

C. P.
32253
8 JUL 24

Mr. YELLING, C.S.

Date
7th July 1924.

Re: Communication

Mr. *Yelling*

Mr. C

Mr.

Asst. U.S. of S.

S. H. ...
21/7/24

Mr. *Marsh*

Permt. U.S. of S.

Part U.S. of S.

Secretary of State

KENYA - UGANDA £3,500,000 LOAN. ALLOCATION.

Encs same, together with draft of proposed
tel to Governor regarding -

Previous Paper

Ex 2465

For 31778

MINUTES

I think Mr Yelling's draft will do,
except that (3) should be "Capital expenditure
to the existing main line and Lake services and
additional equipment for the main line and
Lake services." The reply must await
until Mr Yelling has seen the S. J. S.

J.H.
11-2-24

Des Lond 11.7.24.

Should hope that the authorities of the
15th would give a chance of discussing
this matter, which I now managed to
be attached with. Time is passing
I think it will be based on the
basis for loan, but the intention

Subsequent Paper

Ex 2400
180

Copy done to Dept. 14 AUG 1924 405369 + 3724
21 July 1924

XCP

Departmental Note

Allocation of the £3,500,000 Assisted Loan.

The following extract is from a memorandum prepared by Mr. Felling after departmental discussion:

"I would like to be able to say that I have seen the Secretary of State and that it is clear that the circumstances and conditions under which the £3,500,000 was sanctioned preclude the use of the money for other than purposes stated at the time, and that an allocation for £6,500,000 for Kenya and Uganda railway and port development, treating the £3,500,000 as an instalment, free of interest for five years, is impracticable."

There is no quarrel between us, but in a matter in which Kenya feels "left out" there is obviously a big difference between Mr. Felling being able to say "Mr. Thomas told me he was afraid it could not be done" and his saying "the Colonial Office could not agree".

I may say first of all that I see no difficulty in form in a local Ordinance for £6,500,000, of which the £3,500,000 would be part, provided that the £3,500,000 is covered by allocations to works for which it was destined.

As to those works, we have to consider

- (a) Our commitments to the Treasury and
- (b) what passed in the House of Commons in the debates on the Vote.

(a) Treasury.

We have undertaken to spend the £3,500,000 and any accruing interest on the cotton extensions to and in Uganda and in North Kavirondo, on relaying the main line, and

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and on further harbour works and, while keeping power to use the money to finance other services as well (so as not to have to borrow additional money before it is necessary) have undertaken to render a separate account of our disposal of the £3,500,000 and interest.

(b) House of Commons.

The Vote was in general terms. In the debates the Secretary of State emphasized the cotton development and unemployment points but did not say exactly on what services the money would be spent. Members showed a distinct jealousy of any of the money being spent on extensions to European areas.

The conclusion is that we are bound to (a) ¹⁵ spend the £3,500,000 on lines which either directly benefit native cotton growing or make it possible to carry away the increase in traffic which the cotton development will bring and (b) to see to it that the expenditure relieves unemployment here. From this point of view the works we originally proposed to the Treasury must stand. There are ³ ~~two~~ special points:-

(i) The relaying is largely a renewal and not strictly a loan service at all. That part of this work which can be charged to capital will not use up as much of the £3,500,000 as we thought. Mr. Felling proposes to spend the balance on additional cotton railways in Uganda. As a matter of form we must take the Treasury with us, *(see that document)*

(11) The anticipated savings on the first rough estimate for the cotton railways. These too would apply to new cotton railways in Uganda.

(12) If it is decided to buy the privately owned wharf at Malaki (on Mombasa Island) we maintain the purchase price, not being a new service tending to relieve unemployment here, cannot come out of the £3,500,000. That is a point on which the Secretary of State's decision is required - I do not wish to insist too much on form, but I do think we should be open to challenge.

Of course any capital expenditure on the wharf after purchase would be a fair charge.

I may say that Mr. Felling proposes to delay the issue of a further railway loan by making advances from his "Borrowment" fund. This is sound for two reasons: it is not desirable to go to the public before we must, and it will help to stabilise the position of the railway accounts. The Railway is making big profits now but has big debt charges impending; if the profits are not usefully employed there must be a reduction of rates, which would have to be cancelled when the debt charges become due.

By using balance to cover against the future loan in return the loan can be repaid
W.S. 10/2/24

(11) The anticipated savings on the first annual estimate for the cotton railways. These too would apply to new cotton railways in Uganda.

(12) If it is decided to buy the privately owned wharf at Kibaki (on Mombasa Island) we maintain that the purchase price, not being a new service tending to relieve unemployment here, cannot come out of the £3,500,000. That is a point on which the Secretary of State's decision is required - I do not wish to insist too much on form, but I do think we should be open to challenge.

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(ii) He anticipates savings on the first rough estimate for the cotton railways. These too he would apply to new cotton railways in Uganda.

(iii) If it is decided to buy the privately owned wharf at Mbaraki (on Mombasa Island) we maintain that the purchase price, not being a new service tending to relieve unemployment here, cannot come out of the £3,500,000. That is a point on which the Secretary of State's decision is required - I do not wish to insist too much on form, but I do think we should be open to challenge.

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Mr. Jellicoe's memo

7th July, 1924. 233

MEMORANDUM:

Kenya-Uganda £3,500,000 loan allocation.

Subject to approval by the Secretary of State of the allocations suggested, I subjoin a preliminary draft of a proposed cable from myself to the Governor of Kenya in reply to the cable of which I have handed a copy to Mr. Bottomley.

C.G.
3/5/23

A

I would like to be able to say that I have seen the Secretary of State and that it is clear that the circumstances and conditions under which the £3,500,000 was sanctioned preclude the use of the money for other than purposes stated at the time, and that an allocation for £6,500,000 for Kenya and Uganda railway and port development, treating the £3,500,000 as an instalment, free of interest for five years, is impracticable.

Kenya feels that as it alone took the responsibility for the £5,000,000 loan, and as the bulk of that loan was spent on deep water berths, which will be used largely for Uganda imports and exports, and on the first stages of the line to Uganda, some Kenya development expenditure might come out of the free loan. Under the specific allocations proposed the bulk of £3,500,000 would be spent in Uganda, which is in a relatively sound position financially.

It is admitted that the extension of the Plateau line to Uganda will turn a non-paying into a paying proposition, and that Inter-Colonial Railway earnings, and not the separate income of Kenya Colony, will have to bring up the interest on all expenditure on railway and port development, but the separate allocations will result in interest charges accruing immediately instead of in two years time.

The trouble is that Kenya requires more money for other development. It must have a road programme, educational development, public and school buildings, etc., and it must have more branch lines or ^{other} ~~the~~ means of transport unless serious dissatisfaction is to develop in settlement areas now far removed from railway lines, constructed or proposed.

Can Kenya be assisted in any way under the public utilities or any other scheme?

DRAFT CABLE.

Governor Nairobi

Following from Felling

begins: Your cable re loan allocation Secretary of State ^{emphatic} that conditions under which £3,500,000 sanctioned necessitate specific allocations conforming to expressed intentions. He is prepared accept following:-

- 1. Extension of railway line into Uganda and Kavirondo and Uganda branches £2,200,000
- 2. Additional rolling stock £ 400,000

*23.7.24
at once*

*Tel. Cairo & Addis
12.20/1
23. July 24*

14 AUG 1924 501/5945

Copy Tel. to Gov.

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*Tel. Cairo 9.20
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14 AUG 1924 5/5945
copy to Mr. G. G. G.

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Governor
Maibati
23.7.24
at once

begins
14 AUG 1924 5.51
copy tel. to G.A.

Tel. Col. 19.24
12.20 pm
23. July 24

3. Capital improvements to existing line and tele services, and additional equipment	500,000
4. Additional tele equipment and equipment	400,000
	£3,500,000

Borrowing for expenditure on proposals which have already been approved under £3,000,000 programme or may be approved hereafter to be permissible but interest to be paid on the rates and credited proportionally over foregoing heads. As full amount under heads 3 and 4 may not be required it is to be made for any savings under one or more heads to become available for expenditure under any one or more other heads of above programme.

No decision yet on Mbaraki but as loan is for additional facilities probably authority could not be given to charge it with cost of transferring ownership of existing facilities. To heads 2 and 3 could be charged rolling stock and other improvements and additions recently sanctioned for Uganda extension work and for coping with increased cotton traffic but ~~some~~ ^{other} avoid raising loan sooner than actually necessary care must be taken adhere capital betterment and renewal regulations and to use betterment funds as far as practicable to avoid raising amount available for borrowing to cover expenditure incurred or sanctioned under £3,000,000 programme. Telegraph whether you concur.

Little hope of assistance at present

stage from public utilities scheme but
~~specific reasons have been given to state~~
~~have assurance that will be given every~~
~~possible consideration.~~

425

[Handwritten Signature]
General Manager,
Uganda Railway.