

EAST AFR. PROT.

1911



C O
17589
31 MAY 11

7381

Loan £250,000

Requests detailed estimate of cost of construction working expenses & revenue of Pias at Kiliadiini. Suggest only a small reduction in leading charges. Regret cannot accept Co proposals regarding repayment of loan & submit other proposals.

Mr. Read,

The Treasury proposal that all revenue earned by the loan works in excess of expenditure on working expenses and maintenance should be ^{added to} paid into the sinking fund with a view to the earlier repayment of the loan has been emphatically negatived by Mr. Harcourt in his minute of the 12th of May, on Govr. 24545/10. We must tell the Treasury that this was no part of the arrangement, and that Mr. Harcourt is unable to agree to it. We might add that he considers that the interests of the British taxpayer are already adequately safe-guarded by the provision of interest at 12 per cent and a sinking fund of 1 per cent out of the normal expenditure of the Protectorate as determined by the half and half principle.

It was not the intention in writing the latter part of the Treasury minute that the loan should be repaid by the working

recurrent

Treasury
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Paper
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Copy sent to Mr. 370 on 11/5/11

11A

expenses of the loan works should be included in the ordinary expenditure of the Protectorate for the purposes of the half and half principle. The addition of such expenses to the ordinary expenditure would involve their being counter-balanced by an access to revenue of at least double the amount ~~as to include them, therefor~~ ^{it} would mean ^{here the} that, until the revenue earned by the loan works was at least double the expenses of working and maintenance the normal expenditure of the Protectorate would ^{ie} penalise ^{possibly} to a considerable extent, over and above the reduction which the Secretary of State was prepared to effect in it in order to pay the interest and sinking fund charges on the loan.

The only fair course to the Protectorate, so far as I can see, is ^{to follow} ~~to keep~~ the accounts of the loan works ^{should be kept} separate from the ordinary accounts of the Protectorate. When in any year the receipts are insufficient to meet the recurrent charges, the deficit ^{should} be made good out of the normal expenditure of the Protectorate as calculated on the ordinary revenue under the half and half principle. ~~and~~ When in any year the receipts of the undertakings exceed the recurrent expenses, one-half of such excess should be devoted to the reduction of the grant-in-aid and the other half should be added to the ordinary revenue of the Protectorate and should be held to justify an equivalent increase of the ordinary expenditure. The interest and sinking fund on the loan would ^{in any case} continue, as proposed in our letter of the 10th of February, to be found as part of the ordinary expenditure of the Protectorate under the half and half principle. In this way the British taxpayer would benefit (in the shape of a decreased grant-in-aid) equally with the Protectorate from any revenue earned by the works

over and above their recurrent expenses, while the Protectorate would not be unduly handicapped in the early stages of the works by having to cut down its normal expenditure.

? Reply to the Treasury in this sense.

A copy of the part of this letter which relates to the deep water pier at Kilindini has been attached to K/17298, on which the necessary action can be taken. In replying to this letter it will be sufficient to say that their Lordships' wishes in this matter have been noted, and that their suggestion as to the fixing of the landing charges for the use of the pier will be considered.

We had better, in the meantime, send Sir P. Girouard a copy of the correspondence with the Treasury relating to the loan, and ask him to inform us as nearly as he can of what instalments and at what times the loan will be required, and to submit proposals for postponing loans approved on the current year's estimates to the amount which will be necessary to meet the interest and sinking fund charges on any portion of the loan which is likely to be required in the course of the ~~current~~ year.

JRB

May 31

N. Z. S.

[Handwritten initials]

[Handwritten initials]

[Handwritten signature]

an entirely poor opinion of your *Admission*
or they at least you found such a husband
as best referred to at A above.

Pr. 1/6

L. 1. 6.

A silly piece of bluff.

28 6 11

(only reached me yesterday)

It has been with
P.S. for the other
- expected -

C 3
1233
TREASURY CHAMBERS.

29th May 1911

9745
11.



Sir,

I am directed by the Lords Commissioners of His Majesty's Treasury to acknowledge the receipt of Mr. Just's letter of the 13th instant (24545/1910),[†] with regard to the decision of His Majesty's Government to ask Parliament to sanction a loan of £250,000 from the Old Sinking Fund to the British East African Government for the construction of a Tramway from Nairobi to the Thika River, the provision of a water supply for Mombasa, and the construction of a deep water pier at Kilindini, projects which were brought to Their Lordships' notice in a letter from your department of the 10th February last (24545/10).[†]

Adverting to the latter letter, I am to request you to lay the following observations before Mr. Secretary Harcourt.

(1) My Lords would be glad to receive a detailed estimate as revised by the Consulting Engineers of the cost of construction, working expenses (including depreciation and repairs), and revenue of the Deep Water Pier at Kilindini.

They would also suggest for the consideration of Mr. Harcourt the fact that the expense of the financial success of that pier, it would not be inadvisable to

The Under Secretary of State,
Colonial Office.

24545/10

24545/10
32/10

to fix the landing charges so low as from one half to one third of the lighterage charges now ruling, as proposed. Apparently the latter charges at present vary from Rs.3 to Rs.5 per ton, and Their Lordships suggest that a smaller reduction should be tried, at any rate in the first instance.

(2) As regards the repayment of the loan, Mr. Harcourt proposes that interest and sinking fund upon the loan should be paid by the Protectorate under such conditions as would secure that these charges were met within the limits of the half and half principle and did not involve any addition to the annual burden upon the Imperial Treasury in the shape of the Grant-in-Aid. The limit of the expenditure of the Protectorate would be fixed in each year, as now, by the application of the "half and half" principle, and the Protectorate Government would be required to provide within that limit the annual charge constituted by the interest and sinking fund upon the loan.

On this I am to observe that in the first place, presumably by inadvertence, no mention is made of working expenses, which must be included with interest and sinking fund on the expenditure side of the undertaking, and secondly, that under this arrangement, when the receipts from the new undertakings exceeded the expenditure, the revenue from these special services would apparently be used under the "half and half" principle to swell the expenditure of the Protectorate on ordinary services, and thus to keep the Grant-in-Aid at a higher figure than would otherwise be necessary.

Their Lordships regret that they are unable to

regard

regard such an arrangement as fair to the taxpayer who is lending the money for these schemes, especially seeing that the loan is to a large extent justified by the indirect benefits which it must afford the Protectorate, and which must swell the ordinary revenue.

They suggest therefore that in each case the accounts should be kept separate from the ordinary accounts of the Protectorate, and that when in any year the receipts of the undertakings exceeded the working expenses, interest and provision for sinking fund, the net receipts should form an additional sinking fund and be paid over to the Exchequer in reduction of the debt on the loan. On the other hand, if in any year the receipts were insufficient to meet the above charges (although My Lords presume from the terms of your letter that such an eventuality is improbable), the deficit should be made good out of the normal expenditure of the Protectorate, as calculated on the ordinary revenue under the "half and half" principle.

Sundry enclosures in the letter from your department of the 10th February last are returned herewith.

I am,

Sir,

Your obedient servant,

J. Murray

John

Treas. 17589

E.A. Protectorate.



Downing Street.

5 July, 1911.

DRAFT.

Answers 23875

Secretary to
the Treasury.

Sir,

MINUTE.

1. As directed by Mr. Secretary

Mr. Butler, June 30th.

Mr. Head, 1 July

Mr. Fiddes.

Mr. Just.

Mr. Cox.

Mr. C. Lucas.

Lord Lucas.

Col. Smith.

Mr. Harcourt.

Harcourt to acknowledge the receipt of
your letter, No. 9745/11 of the 29th of
May relating to ^{the} loan of £250,000 to
^{from Imperial fund-} be made to the government of the East
Africa Protectorate.

2. I am to request you to inform
the Lords Commissioners of the Treasury
that it was no part of the arrangement
for the loan that the revenue earned by
the loan works in excess of expenditure
on working expenses, interest, and pro-
vision for sinking fund, should be used

Copy to 370 cases 6 July

Copy correspondence
to Govt.

(two drafts)

+ No. 17589

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to the sinking fund with a view to the earlier repayment of the loan. Mr Harcourt is accordingly unable to assent to ~~the~~ condition ~~of this~~ ~~and~~ being now attached to the grant of the loan. He considers that the interests of the British taxpayer are already adequately safeguarded by the provision of interest at 5 1/2 per cent and a sinking fund of one per cent out of the normal expenditure of the Protectorate as determined by the "half and half" principle.

3. It was not the intention of the letter from this Office of the 10th of February to suggest that the ~~recurrent~~ ^{working} expenses of the loan works should be included in the ordinary expenditure of the Protectorate for the purposes of the "half and half" principle. The

addition

+ No. 24545/10

addition of such expenses to the ordinary expenditure of the Protectorate would involve their being covered by the normal revenue of at least double the amount. This would mean that until the revenue earned by the loan works was at least double the expenses, ~~of working and maintenance~~ the normal expenditure of the Protectorate would be permitted, possibly to a very considerable extent, over and above the reduction which the Secretary of State is prepared to effect in that expenditure in order to ~~pay~~ ^{provide} the interest and sinking fund charges on the loan within the limits imposed by the "half and half" principle. The only fair course ~~which should be fair~~ to the Protectorate, in Mr. Harcourt's opinion, is as follows. The accounts of the loan works should be kept

separate

separate from the ordinary accounts
of the Protectorate, as their Lordships
suggest. When in any year the receipts
from the loan works
are insufficient to meet the working
expenses, the deficit should be made
good out of the normal expenditure
of the Protectorate as calculated on
the ordinary revenue under the "half
and half" principle. When in any year the
the receipts from the loan works exceed
the working expenses, one-half of such
excess should be devoted to the reduction
of the grant-in-aid and the other half
should be added to the ordinary revenue of
the Protectorate and should be held to
justify an ~~equivalent~~ *to the same amount* increase of the
ordinary expenditure. The interest and
the cost of the loan should in any case
be met out of the receipts from
this office on the 1st of February, 1901.

DRAFT.

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found as part of the ordinary expen-
diture of the Protectorate under the
"half and half" principle. In this way
the British taxpayer would benefit, ~~in~~
through the absence of the
~~the shape of a decreased grant-in-aid,~~
equally with the Protectorate from any
revenue earned by the loan works over
and above their working expenses.
Mr. Harcourt would be glad to learn
that the Lords Commissioners accept
this suggestion.

4. Their Lordships' wishes in
the matter of an estimate of the cost of
construction, working expenses, and
revenue, of the deep water pier at
Kilindini have been noted, and their
suggestion as to the fixing of the
landing charges for the use of the pier
will receive careful consideration.

G. V. Fisher.

Treas. E.A. Protectorate
17589

259



Lawing Street.

6 July, 1911.

DRAFT.

AFRICA PROTECTORATE No. 370

Governor

Colonial Office, Circular,
K.C.M.G. & D.S.O. R.E.

MINUTE

Mr. Butler, June 30th

Mr. Head, 1 July

Mr. Fiddes, 1 July

Mr. Just, 1 July

Mr. Cox, 1 July

Mr. Lucas, 1 July

Lord Lucas, 1 July

Mr. Harcourt, 1 July

Treasury, 1 July

C.S. to Treasury, 1 July

and 11298

I have the honour to transmit to you a copy of correspondence with the Treasury relating to the loan of £250,000 which, as you are already aware, His Majesty's Government have decided to make to the East Africa Protectorate for the construction of a tramway from Nairobi to the Thika River, the provision of a water supply for Mombasa and the construction of a deep water pier at Kilimaini.

Feb 10
May 13
Both May 1911

(two drafts)

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