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Railway Provident Fund

Submits observations and suggestions regarding (1) separate banking account. (2) investment of moneys by Crown Agents. (3) Voluntary deposits. (4) increase in the minimum percentage of the 3rd bonus. (5) method of dealing with the half per cent retained for working expenses.

Mr. Read.

I think that this despatch will satisfy the Treasury, except as regards the proposal to increase the 3rd bonus from 25% to 30%.

The compulsory deposits, the cost of doing business, and a word or two in regard to the 3rd bonus.

30th July 1912. It was suggested as compensation to officers who were contributors to the fund at the date at which it became necessary to reduce the rate of interest.

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originally promised in consequence of our  
evidence that the monies of the fund should  
be invested in trustee securities. (A copy  
of the despatch in question was sent to the  
Treasury in our letter of the 25<sup>th</sup> of April  
1910 on C<sup>101</sup>  
162/09-10). I fear that we cannot press  
for the increase of the 3<sup>rd</sup> bonus to any but  
the officers who were contributing to the fund  
when the rate of interest was reduced,  
and probably the local C<sup>101</sup> will not wish  
to have an invidious distinction of that kind.  
However, I would wish the Treasury to agree  
to the increase in the case of this limited  
class of contributors, if only by way of showing  
our desire to redress what the disappointed  
original contributors no doubt regard as  
a grievance.

Copy to Treasury, observing as  
to the 3<sup>rd</sup> bonus and ask for  
subject. "not applicable."

HAB

April 11

at once

H. J. R.

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GOVERNMENT HOUSE,  
NAIROBI,  
BRITISH EAST AFRICA

No. 199.

March 15th, 1912.

Sir,

*Handwritten:*  
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I have the honour to acknowledge the receipt of your despatch No. 709 of the 7th of December transmitting copy of correspondence with the Treasury on the subject of the disposal of the monies of the Provident Fund of the Uganda Railway and requesting my observations on the same.

2. With reference to the first point raised by the Treasury, there appears to be no necessity for maintaining a separate banking account for the Provident Fund. The Fund can be treated as a Suspense account of the Railway, and all necessary charges and adjustments dealt with as they occur.

3. With regard to the investment of monies by the Crown Agents, I note the objections raised by the Treasury to the proposals previously made. The transfer of these monies will accordingly be made in the ordinary manner through the National Bank of India, and the Provident Fund will as a matter of course bear all proper charges in connection therewith. There is no intention now that the expenses of the Fund

THE RIGHT HONOURABLE  
LEWIS HARCOURT, F.C., M.P.,  
SECRETARY OF STATE FOR THE COLONIES,  
BOWING STREET, LONDON, E.W.

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Fund shall be defrayed from any source other than that of the monies of the Fund itself.

4. I regret that, through an oversight, the Manager's proposals for dealing with voluntary deposits were not submitted for your approval in Sir Percy Girouard's previous despatch. These monies being lodged on short calls, it would be most inconvenient for them to be invested in Home Securities. According to existing arrangements they may be withdrawn at call and the National Bank allows interest at the rate of 3 per cent on the monthly balance. I have therefore to ask approval of the proposal that the voluntary deposit may continue to be deposited with the National Bank of India at present.

5. With regard to the proposed increase in the minimum percentage of the 3rd bonus, you will doubtless remember that this was suggested by Lord Greve in his despatch No. 437 of 5th July 1909 as some compensation for the reduction in the amount of interest that would be received owing to the difference in the method of investment. It is true that under the scheme approved by the Treasury this percentage will increase automatically with the growth of the Railway earnings, but, hopeful as the future of the Railway undoubtedly is, there appears to be but little chance of the bonus rising to a higher figure than that specified in the present rule. The rule is that the 3rd bonus may be increased to one-half of the voluntary deposits provided that it does not exceed one per cent of the net earnings, the said net earnings being calculated after deducting the contribution to the Fund is added to the working expenses.

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expenses.

For the year 1912-13 the net earnings appear as £134,800 and the provision for the Provident Fund £7600. The net earnings before the Fund contribution is added, the working expenses are therefore £142,336; one percent of this is £1423; a 3rd bonus is one-third of the total provision or £2556. To meet this the net earnings of the Railway would have to be £255600; this is equal to about 4 1/2% on the capital cost of the Railway, and it is a matter of great doubt whether it would be desirable that a Government Railway in a growing Colony should be allowed to earn so high a rate of interest. Any growth of the net earnings of the Railway would involve a corresponding increase in the cost of working and, consequently, a larger staff and larger compulsory deposits; so that there is little hope of seeing the 3rd bonus increased beyond its present figure. I trust therefore that the Lords Commissioners of His Majesty's Treasury will waive their objection to the proposal made by Lord Crew.

B. As regards the method of dealing with the half per cent retained for working expenses referred to in No. 5th paragraph of the Treasury letter, it may be stated that there is any balance on this account. It is true that the 1/2 per cent would amount

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unvarying charge and stated "if these rates prove were  
them enough to cover the working expenses they could  
be reconsidered hereafter". At present at the end of  
each financial year the balance accruing  
from the  $\frac{1}{2}$  per cent, and also from interest that  
is not taken by Mohammedan creditors, is credited to  
the cost of the Fund to meet the working expenses. So  
far the sums credited do not cover the total amount  
which has been expended. By the end of January 1912  
these total expenses from the commencement were  
approximately Rs.7,500 and the total credits were  
approximately Rs.6,000, leaving a debit balance of  
Rs.1,500. At the present time the working expenses  
are Rs.2 per annum, and the receipts - including  
unclaimed interest - are Rs.300. The Fund is now  
therefore self-supporting, although it still has a  
debt for the commencing year's expenses. When this  
debt is cleared, I would ask that an adjustment be made  
yearly, crediting the depositors with any balance that  
may remain. The Fund would thus balance at the end of  
each financial year and would bear only the normal  
working expenses. I trust that the Treasury will have  
no objection to this proposal.

P.D.  
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East Africa Protectorate.

DRAFT.

Secretary  
to the Treasury.

Downing Street,  
April, 1912.

Ans & 14009

MINUTE.

Mr. Butler. April 12 Sir,

Mr.

I am directed by Mr Secretary

Sir G. Fiddes.

Sir H. Just.

Sir J. Anderson.

Lord Emmott.

Mr. Harcourt.

Harcourt to transmit to you, to be laid before  
the Lords Commissioners of the Treasury, with  
reference to your letter No. 20137/11 of the  
23rd of November last, the accompanying copy  
of correspondence with the Office of Administration.

(3776/1)

Dec 7

despatch

their Lordships to approve of the increase to 30 per cent being granted in the case of ~~the lower rate of interest~~ — ~~on their acceptance~~ of the lower rate of interest which it has been found necessary to allow.

3. Subject to these modifications, Mr. Harcourt trusts that their Lordships will now be able to approve the arrangements suggested in Mr. Bowring's despatch.

I am, etc.,

(Sd.)