

EAST AFR. PROT.  
21/11/17

DOMESTIC

REC'D  
27/11/17  
11/05

Individual  
Mr. Read  
1000  
July  
Foreign Paper

Railway Policy

Would prefer to defer any recommendation on a large question of policy until after a further period of study of the policy of allowing half the net earnings for development has been followed in other areas. It appears highly desirable that there should be some form of partial or division of rates. It would be well to call for a study of local funds that would be in the hands of the railway, etc. as part of an effort to discuss matters.

Mr Read,

I have discussed this letter with Sir Percy Girouard. I understand from him that, while he is not prepared at present to express an opinion on numbers (1) and (2) of the recommendations made by Mr Currie in C/22737, he does agree with recommendation number (3) and wishes that it should be put before the Treasury by itself.

With regard to the question at the end of paragraph 2 of his letter, the facts are as follows:-

In the Treasury letter to which Sir Percy Girouard calls attention it is stated that "in paragraph 5 of their letter of the 3rd of April last they suggested (nor has the Secretary of State dissented) that as a general rule half of such earnings should be used for the reduction of the Imperial grant-in-aid, leaving the remaining half available for railway development."

A reference to the letter of the 3rd of April 1908 (Treasury/11696/00) shows however that what they actually

stated was

X cc. Henry  
11696/00

<sup>said</sup>  
stated was this: "But, as a general rule, my Lords may fairly ask that half the surplus of the railway revenue should be used (like other revenues of the Protectorate) for the reduction of the Imperial grant-in-aid". Nothing is said as to ear-marking ~~as~~ the remaining half of the surplus of the railway revenue for purposes of railway development. In point of fact such ear-marking has never taken place, and the railway revenues have been lumped into the general revenues of the Protectorate and subjected along with those other revenues to the half and half principle. This is in accordance with paragraph 2 of the Treasury letter of the 3rd of April 1906, which lays it down that all the expenditure on the railway should be provided for in the Estimates and that surplus receipts should be included in the general balance of the Protectorate.

We must answer Sir Percy Girouard's question in this sense. As to going to the Treasury about the revision of rates, I doubt whether the question is yet in a convenient form. If we send the Treasury extracts from 22377 <sup>in letter of that date</sup> and this letter, they would ask for the rest, and the rest it would be highly inconvenient to give, as we have ourselves said in our letter on 22377 that we do not agree with (1) and (2) of Mr Currie's proposals, while Sir Percy has said that he would rather defer his recommendations until he has reached the Protectorate. The Treasury would easily find in this an excuse for hanging up the whole thing. Moreover, Sir Percy has not yet complied with our request that he should give us his views on the limits within which the Governor-in-Council should be given power to reduce rates.

Without

Without some indication of the proposed limits I am sure we should have no chance of getting the Treasury to accept the proposal. I would therefore, in addition to answering his question say something to Sir Percy in this sense, and suggest that he should, when he has reached the Protectorate, send us a despatch on the whole question of railway policy, in the course of which he should give in detail his reasons for wishing to have some power to vary rates and should give a clear indication of the limits within which he <sup>would</sup> propose that that power should be granted. With such a clear statement of his views we might approach the Treasury with some prospect of success.

F. G. A. R.  
July 28  
I refer  
to the  
H. J. R.  
5/10

93, Portman Street,

1900

R  
C  
Sir,

I have to acknowledge the receipt of your letter No. 22377 of the 17th July 1900 with reference to recommendations as to the policy which should be adopted in dealing with affairs of the Uganda Railway.

As I do not possess sufficient knowledge of the conditions obtaining in British East Africa to advise upon such a large question of policy I would prefer to defer any recommendations until after my arrival in the Protectorate. I would however point out that in their letter of the 18th July 1900 the Lords Commissioners of His Majesty's Treasury evidenced their willingness to adopt a liberal policy in regard to the Railway. In this letter it is proposed that as a general rule half of the net earnings should be used for the reduction of the Imperial Grant-in-aid leaving the remaining half for development. I should like to be informed whether this policy has been followed in late years.

It would appear highly desirable that the Governor in Council should be given some powers in the revision of rates. If each single reduction is to be referred to thousands of miles away I can readily understand that very great differences of opinion may arise with the mercantile, industrial or farming communities. From my experience in very much larger undertakings I am persuaded that the power of revision of the rates should not only be in local hands but mainly in the hands of experts who are being entrusted with the working of the Railway. I shall be glad of an opportunity to discuss the

2.

matter as I understand the present position is one which can only be continued with recurring inconvenience and recrimination.

Sir,

Your obedient servant,

The Under-Secretary of State,

Colonial Office, S. W.

10 P  
D. b

Sir Percy Girouard, F.C.M.G., D.S.O.

6 Aug 09

DRAFT.

Sir,

I am etc. to ask the rect. of your letter of the 20th of July, relative to certain questions of policy in regard to the Uganda Railway.

MINUTE

- Mr. D. ...
- Mr. ... 5
- Mr. ...
- Mr. ...
- Mr. ...
- Sir C. Lucas
- Sir F. Hopwood
- Col. Seely
- The Earl of Crewe

21. The statement in the Treasury letter of the 18th of July 1906, to which you refer, is not quite accurate. That statement is that in para. 3 of the Treasury letter of the 17th of April 1906 the Lords Commissioners suggested that as a general rule one-half of the net earnings of the railway should be used for the reduction of the Imperial grant in aid, leaving the remaining half available for railway development. ~~But~~ The text of the passage referred to is "But, as a general rule, my Lords may fairly ask that half the surplus of the railway revenue should be used (like other revenues of the Prot.) for the reduction of the Imperial grant in aid". Nothing is said as to ear-marking the remaining half of the surplus of the railway revenue for purposes of railway development. In fact such ear-marking has never taken place, and the railway

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SAS General D.]

revenues have been regarded as part of the general revenues of the Prot., and have been subjected in common with the other revenues to the half and half principle. This is in accordance with para. 2 of the Treasury letter of the 3rd of April 1906, which lays it down that all the expenditure on the railway should be provided for in the Estimates, and that surplus receipts should be included in the general balance of the protectorate.

Lord Crews does not consider that the present time is opportune for entering upon a discussion with the Secy of the Treasury in regard to the question of conferring a limited power of reducing rates upon the Governor in Council, and I am to suggest that when you have reached the Prot., you should send a despatch on the whole question of railway policy, in the course of which you should give in detail your reasons for considering that such a power should be conferred, and should give a clear indication of the limits within which you would propose that that power should be confined.

I, etc.,

(Signed) H. C. FRAY COX.