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COLONY AND PROTECTORATE OF KENYA

LEGISLATIVE COUNCIL DEBATES

OFFICIAL REPORT

SECOND SERIES

VOLUME XXV—PART I

1946

SECOND SESSION

Resuming 23rd to 26th September

CHRONOLOGICAL INDEX

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List of Members of the Legislative Council

President:

HIS EXCELLENCY THE GOVERNOR, SIR P. E. MITCHELL, K.C.M.G., M.C.

Ex Officio Members:

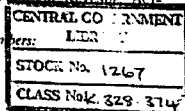
CHIEF SECRETARY, ACTING (HON. K. G. LINDSAY, O.B.E.) (1)
 ATTORNEY GENERAL (HON. S. W. P. FOSTER SUTTON, O.B.E., K.C.)
 FINANCIAL SECRETARY (HON. J. F. G. TROUGHTON, M.B.E.)
 CHIEF NATIVE COMMISSIONER (HON. W. S. MARCHANT, C.M.G., O.B.E.)
 DIRECTOR OF MEDICAL SERVICES, ACTING (DR. THE HON. K. A. T. MARTIN) (2)
 DIRECTOR OF AGRICULTURE, ACTING (HON. A. B. KILLICK)
 DIRECTOR OF EDUCATION (HON. R. PATRICK, E.D.)
 GENERAL MANAGER, K.U.R. & H. (HON. SIR R. E. ROBINS, C.M.G., O.B.E.)
 DIRECTOR OF PUBLIC WORKS (HON. S. R. BOND)
 COMMISSIONER OF CUSTOMS, ACTING (HON. E. F. LORD) (3)
 COMMISSIONER FOR LANDS, MINES AND SURVEYS (HON. G. J. ROBBINS)

Nominated Official Members:

HON. R. P. ARMSTRONG, M.B.E. (Secretary to Member for Agriculture, Animal Husbandry and Natural Resources)
 HON. T. A. BROWN (Solicitor General)
 HON. MBARAK ALI HENAWI, O.B.E. (Specially appointed to represent interests of Arab Community)
 HON. J. R. HUDSON (Director of Veterinary Services, Acting)
 HON. K. L. HUNTER, O.B.E. (Provincial Commissioner, Nyanza Province)
 HON. C. E. MORTIMER, C.B.E. (Member for Health and Local Government)
 HON. H. C. WILLIAMS, M.C. (POSTMASTER GENERAL) (4)
 HON. E. M. HYDE CLARKE, M.B.E. (LABOUR COMMISSIONER) (5)
 HON. V. H. MERITENS (COMMISSIONER OF INLAND REVENUE, ACTING) (6)

European Elected Members:

HON. W. A. C. BOUYER, Uasin Gishu
 HON. S. V. COOKE, Coast
 HON. G. M. EDYE, Nyanza
 MAJOR THE HON. F. H. DE V. JOYCE, M.C., Ukamba
 MAJOR THE HON. A. G. KEYSER, Trans Nzoia
 COL. THE HON. F. S. MODERS, D.S.O., Mombasa (Acting)
 HON. W. F. O. TRENCH, Rift-Valley
 HON. E. A. VASEY, C.M.G., Nairobi North
 HON. SIR ALFRED VINCENT, Nairobi South
 HON. MRS. O. F. WATKINS, Kiambu
 HON. E. H. WRIGHT, Aberdeen



LIST OF MEMBERS OF THE LEGISLATIVE COUNCIL—Contd.

Indian Elected Members:

HON. I. E. NATHOO (Acting) (Central), (7)
 HON. S. T. THAKORE (Central), (8)
 HON. A. B. PATEL (Eastern)
 DR. THE HON. M. A. RANA, M.B.E. (Eastern)
 HON. A. PRITAM (Western)

Arab Elected Member:

HON. SHERIFF ABDULLA SALIM

Nominated Unofficial Members:

Representing the Interests of the African Community—

VEN. ARCHDEACON THE HON. C. J. BEECHER
 HON. E. MATHU (9)

Acting Clerk to Council:

Mr. R. Tatton Brown

Reporters:

Mr. A. H. Edwards

Miss Bennitt

- (1) Vice Hon. Sir G. M. Rennie, C.M.G., M.C., absent on special duty in England.
- (2) Vice Dr. N. M. MacLennan, seconded for special duty.
- (3) Vice Mr. A. W. Northrop, on leave pending retirement.
- (4) On return from leave, vice Mr. G. P. Willoughby, O.B.E., acting.
- (5) First appointment to Legislative Council.
- (6) Vice Mr. C. Tomkinson, on leave pending retirement.
- (7) Vice Mr. Shamsud-Deen, absent on leave.
- (8) On return from leave, vice Mr. S. G. Amia.
- (9) On return from leave, vice Mr. W. Odede.

ABSENTEES FROM LEGISLATIVE COUNCIL SITTINGS

23rd, 24th, 25th September—

Hon. Solicitor General.

LIST OF MEMBERS OF THE LEGISLATIVE COUNCIL—Contd.

Indian Elected Members:

- HON. I. E. NATHOO (Acting) (Central). (7)
HON. S. T. THAKORE (Central). (8)
HON. A. B. PATEL (Eastern).
DR. THE HON. M. A. RANA, M.B.E. (Eastern).
HON. A. PRITAM (Western).

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HON. E. MATHU. (9)

Acting Clerk to Council:

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Reporters:

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Miss Bennitt

- (1) *Vice* Hon. Sir G. M. Rennie, C.M.G., M.C., absent on special duty in England.
- (2) *Vice* Dr. N. M. MacLennan, seconded for special duty.
- (3) *Vice* Mr. A. W. Northrop, on leave pending retirement.
- (4) On return from leave, *vice* Mr. G. P. Willoughby, O.B.E., acting.
- (5) First appointment to Legislative Council.
- (6) *Vice* Mr. C. Tomkinson, on leave pending retirement.
- (7) *Vice* Mr. Shamsud-Deen, absent on leave.
- (8) On return from leave, *vice* Mr. S. G. Amin.
- (9) On return from leave, *vice* Mr. W. Odede.

ABSENTEES FROM LEGISLATIVE COUNCIL SITTINGS

23rd, 24th, 25th September—

Hon. Solicitor General.



COLONY AND PROTECTORATE OF KENYA

LEGISLATIVE COUNCIL DEBATES

SECOND SESSION, 1946

Monday, 23rd September, 1946

Council assembled in the Memorial Hall, Nairobi, at 10 a.m. on Monday, 23rd September, 1946, His Excellency the Governor (Sir P. E. Mitchell, K.C.M.G., M.C.) presiding.

His Excellency opened the Council with prayer.

ADMINISTRATION OF OATH

The Oath of Allegiance was administered to: The Acting Director of Medical Services (Dr. K. A. T. Martin); the Acting Commissioner of Customs (Mr. E. E. Lord); Mr. E. M. Hyde-Clarke, M.B.E. (Labour Commissioner); Mr. V. H. Merttens (Acting Commissioner, Inland Revenue); Mr. I. E. Nathoo (Acting Member for Central Area).

MINUTES

The minutes of the meeting of 19th July, 1946, were confirmed.

PAPERS LAID

The following papers were laid on the table:—

BY THE ACTING CHIEF SECRETARY (MR. LINDSAY):

Report on a Fiscal Survey of Kenya, Uganda and Tanganyika by Sir Wilfrid Woods, K.C.M.G., K.B.E.

BY THE HON. FINANCIAL SECRETARY (MR. TROUGHTON):

Schedule of Additional Provision No. 1 of 1946; Statement furnished in reply to Question No. 41 by the Hon. Member for Trans Nzoia.

BY THE ACTING COMMISSIONER OF CUSTOMS (MR. LORD):

Annual Trade Report of Kenya and Uganda for 1945.

BY MR. ARMITAGE:

The Land and Water Preservation (Advances) Regulations, 1946.

BY MR. HYDE-CLARKE (LABOUR COMMISSIONER):

The Labour Department Annual Report, 1945.

ORAL ANSWERS TO QUESTIONS

NO. 31—CIVIL SERVICE ANOMALIES

SIR ALFRED VINCENT (Nairobi South):

(a) Is Government aware that anomalies have been created during the period 1938 to 1946 inclusive by the appointment of officers to posts in the permanent establishment (not temporary) of the Civil Service at points above the minimum of the salary scales applicable thereto? (b) What steps, if any, have Government taken to remove the anomalies so created, and to prevent the creation of further anomalies of this nature?

MR. TROUGHTON: (a) The answer is in the affirmative.

(b) Most of the anomalies which arose during the war relate to the Education Department. Comprehensive proposals to iron out these anomalies as far as possible have been formulated and will be submitted to the Secretary of State in the near future.

2. As regards the avoidance of anomalies in future, fixation of the commencing salary of each locally recruited officer, when it is in excess of Sh. 60 a month, is the responsibility of the

[Mr. Troughton]

Financial Secretary. The object of this central control is to ensure that anomalies are avoided as far as possible.

3. In the case of officers recruited overseas, fixation of the initial salary is the responsibility of the Secretary of State. The Secretary of State has been asked to arrange that the Government should be consulted before any offer is made of an initial salary higher than the minimum of the particular post plus the number of increments for which the officer appointed is eligible by virtue of his war service.

No. 32—JUNIOR GRADERS, K.E.C.S.

SIR ALFRED VINCENT:

(a) Is Government aware that locally trained apprentices for technical posts in the Kenya European Civil Service are placed at a serious disadvantage *vis-à-vis* those trained outside the colony by the length of time required to pass through the incremental scale pertaining to the junior grades before reaching the minimum of the salary scale of the post for which the apprenticeship was served? (b) Will Government consider stepping up the increments of the junior grades to limit the length of the "Improver" status to four years?

MR. TROUGHTON: The answers to both parts of the question are in the negative.

2. Steps are always taken when filling vacancies which constitute an avenue of promotion from the junior grades to ensure that the claims of fully qualified junior officers are carefully considered. Moreover, steps are frequently taken to create additional vacancies in the more senior grades to enable suitable officers in the junior grades to be absorbed when those officers have shown that they can assume the degree of responsibility normally required of the holder of a post in the higher grades.

3. An examination of the position reveals that in normal circumstances promotion from the junior grade is attained considerably earlier than would be the case if the officer concerned were required to progress by annual increments to the maximum of the "Improver" grade. In these circumstances, no reason is seen for varying the present incremental rates.

No. 33—TECHNICAL POSTS IN K.E.C.S.

SIR ALFRED VINCENT:

Will Government widen the powers of the Civil Service Advisory Board to enable them to make recommendations on behalf of applicants in the Kenya European Civil Service possessing the necessary educational and/or technical qualifications for posts in the overseas branch of the Service in Kenya, and agree to all such vacancies being published in the Official Gazette?

MR. LINDSAY: No, sir.

As a matter of routine vacancies in posts which may properly be regarded as promotion posts for officers in the Kenya European Civil Service are advertised both in the Official Gazette and by circulation to members of the Service, and the claims of applicants are considered by the European Civil Service Advisory Board. As regards other vacancies, the claims of any suitably qualified officers in the Kenya European Civil Service are carefully considered before any recommendation is made to the Secretary of State.

No. 38—LIMURU ROAD

MRS. WATKINS:

What are the intentions of Government in respect of the Limuru Road? Is it aware that the surface of the road is deteriorating so rapidly that the road will become impassable by the end of the year, and that the District Council have exhausted all their funds for 1946? In view of the rapidly increasing suburban traffic using this road; does the Governor not consider the advisability of giving priority to its bituminization before the main arterial by-pass via Kabete is constructed?

DIRECTOR OF PUBLIC WORKS (MR. BOYD):

The question of the Limuru Road (Route "A") has been under discussion by the Central Roads and Traffic Board at recent meetings, and a recommendation has been put forward for a bitumen pre-mix carpet to be laid on the existing alignment in view of the increased intensity of traffic and the difficulty of maintaining to a murrain standard. The Board agreed that this road should receive a high priority for bitumen treat-

[Mr. Boyd]

ment, but considered that, before funds could be made available from the Development and Reconstruction Authority allocation for roads, a sub-committee of the Board should review the relative priorities of other subsidiary roads in the Colony with equal claims to consideration. Arrangements are being made for this sub-committee to meet shortly.

2. Government is aware that the surface of the road is deteriorating to a considerable degree, but it is not prepared to admit that it will become impassable by the end of the year. Government is also aware that the District Council, who maintain this road under contract to the Public Works Department, have expended the funds originally allocated for maintenance, during the first half of the year. Further funds, however, have now been made available for the improvement of the worst sections of the road and work is nearing completion.

3. The question of priority over the construction of the main arterial road between Nairobi and Nakuru does not arise, inasmuch as all arrangements have now been made for the completion of the Kabete-Limuru section of this road, and if the Limuru Road ("A" Route) is considered by the Central Roads and Traffic Board to have a higher priority than the other subsidiary roads already referred to and the necessary funds are made available by the Development and Reconstruction Authority, there is no reason why the work should not be carried out simultaneously with that of the construction of the new Kabete-Limuru Road.

MRS. WATKINS: Arising out of that answer, Your Excellency, does not the hon. Director of Public Works consider it is rather a waste of money to put £3,000 now on that road which is already being dissipated in dust and mud? Would it not be better to get on with the job straight away, because it is merely a waste at present of £3,000 of public money? We think the bituminization should be done almost immediately and not have all this public money wasted.

MR. BOYD: Your Excellency, I do not consider the funds so expended will be wasted provided that the bitumen treatment is carried out in the comparatively

near future. It would be necessary in any event to re-surface the road in the manner which is now being done.

MR. VASEY (Nairobi South): Arising out of that answer, could we know what steps will be taken to control the heavy traffic and traffic moving, at a fast pace which contributes greatly to the breaking-up of the road?

HIS EXCELLENCY: It seems that we require notice of that question.

MRS. WATKINS: I asked a question on this matter last session and it has not been answered yet, about a governor on the car—not Your Excellency (Laughter)—and on lorries, so that they should not exceed a certain pace. I believe it is done in West Africa and other places.

MR. BOWSER (Uasin Gishu): Your Excellency, unless Government do take steps to control this fast moving traffic the main road to Nakuru will be in the same condition in a very short time.

ATTORNEY GENERAL (MR. FOSTER SUTTON): Your Excellency, Government has been in communication with various local authorities to try and fix a standard speed. Regulations are already drafted, and as soon as they become law it is the intention of Government to see that they are enforced. (Hear, hear.)

HIS EXCELLENCY: Does that answer the supplementary questions?

MRS. WATKINS: I would like an answer to my question as to whether governors should be put on lorries or not.

MR. FOSTER SUTTON: We do not think it is practicable.

MRS. WATKINS: Does the hon. member realize it is done in other colonies, I wonder?

MR. FOSTER SUTTON: Yes.

MR. VASEY: I would like to know what steps the police will be empowered to take in the way of fast patrols on motor cycles and cars when that legislation is introduced?

MR. LINDSAY: Your Excellency, it is clear that the supplementary question asked that the hon. member requires a certain amount of information. This information will be made public when the

[Mr. Lindsay] legislation is passed and the answers to the various questions raised now will be answered in that fashion.

Mr. DOUWEL: I am not satisfied yet. Does Government realize that time is the essence of the matter, and that unless they get a move on there will be very little road left with this fast moving, heavy traffic?

Mr. LINDSAY: I can assure the hon. member that Government will take action very quickly.

No. 39—TRIBAL POLICE ARCHDEACON BECHER (African Interests):

1. Will Government please state the areas in which tribal police, as distinct from the Kenya Police, are still employed?

2. On what salary scales and general terms of service are these men employed, and in what ways are these terms different from those of the Kenya Police?

3. Is Government satisfied that the tribal police can be expected to give reasonably good service, unaffected by offers of bribery or temptations to exact moneys which are not legally due, while such terms of service continue in operation?

4. Will Government please take immediate steps to rectify this situation, if necessary with retrospective effect as far as salaries are concerned?

5. And, if so, what steps are to be taken?

CHIEF NATIVE COMMISSIONER (Mr. Marchant): 1. Tribal Police, as distinct from the Kenya Police, are still employed in all native areas.

2. The terms of service governing their employment are those laid down in Part III of the Code of Regulations for Arab and African staff, and the salary scales vary in different localities. The police terms of service are governed by the Police Ordinance and these and the salary scales applying to the Kenya Police are generally more favourable than in the case of the tribal police. The principal reason for this is the standard of training and efficiency and the degree of

responsibility demanded by the latter force are considerably higher than what is required of the former. The tribal police do, however, give reasonably good service under existing terms and charges of bribery and extortion are infrequent.

The draft of a new Tribal Police Ordinance to replace the Tribal Police Ordinance, 1929, is now under consideration, which makes provision for salary scales to be the subject of regulations made by the Governor in Council. It is not proposed that any alterations in the salary scales should have retrospective effect as existing salary scales have in fact been supplemented by the payment of war bonus.

No. 41—WHISKY ALLOCATION MAJOR KEYSER (TRANS NZOIA):

Will Government please give the following information:—

(i) The total number of cases of whisky released for allocation in July, 1946;

(ii) how many cases of Irish whisky and how many cases of Scotch whisky were in this allocation;

(iii) the names of the clubs, hotels, traders, and other liquor licence holders to whom this allocation was made, and the number of cases and brands that each received?

Mr. TROUGHTON:

(i) 2,203½ cases of whisky were released for allocation in July, 1946.

(ii) These were made up as follows:—
Irish whisky .. 488 cases
Scotch whisky .. 1,622½ cases
Australian whisky 25 cases

Of the total, 300 cases of Scotch whisky and 75 cases of Irish whisky were allocated to Uganda.

(iii) A statement showing the distribution to clubs, hotels and traders in Kenya was laid on the table this morning.

I may add that Irish and Australian whisky are allocated in rotation, as it would be impracticable to allocate *pro rata* in any one month.

MAJOR KEYSER: Arising out of that reply, does the hon. member consider

[Major Keyser] that the distribution as shown in the statement laid on the table was as fair a one as it could possibly be?

Mr. TROUGHTON: In reply to that, the answer is in the negative. The statement relates to the month of July, and since then we have completely reorganized the allocation of whisky to hotels, as there were a number of anomalies. This reorganization has been carried out in consultation with the Hotel Keepers' Association. As regards clubs, we have at the moment a revision under consideration under which whisky will be allocated on the basis of membership, taking into account town and country members, and we have decided also, in view of the rather strange unpopularity of Irish whisky (laughter) to decontrol it altogether. (Laughter.)

No. 46—RETURN PASSAGES FOR RETIRED CIVIL SERVANTS

Mr. COOKE (Coast):

Will Government consider giving passages to Civil Servants on their retirement at the conclusion of their leave to enable them to return to Kenya with their families and settle in that country?

Mr. TROUGHTON: No, sir. This matter was recently considered in consultation with the Governments of Uganda and Tanganyika Territory and it was agreed that a special concession of this nature, which would be applicable to one class only of prospective settlers, could not be supported.

Mr. COOKE: Arising out of that answer, is it not a benefit to the country that the purchasing power of pensioners should be retained in this country—an economic proposition otherwise?

Mr. TROUGHTON: The answer to the question is strongly in the affirmative. (Laughter.)

Mr. COOKE: You agree with me then.

IMMIGRATION (CONTROL) BILL SECOND READING DEFERRED

The second reading of the Immigration (Control) Bill was by leave deferred to a later stage.

STATEMENT ON NATIONAL PARKS

NAIROBI COMMONAGE

With the permission of the President, SIR ALFRED VINCENT made the following statement:—

It has come to the notice of the Trustees appointed under the National Parks Ordinance, No. XIX of 1945, that there have been considerable misgivings expressed by some of the members of the public of Nairobi, as to the action which will be taken by the Trustees when the Nairobi Commonage is proclaimed a National Park.

Honourable members will be aware that before the Ordinance came before this Council, it was preceded by an exhaustive examination by a committee called the Game Policy Committee, and it was largely as the result of their recommendations that the bill was introduced into this Council and became law. Now this was not one of those Ordinances which was imposed on this country by the use of the official majority. It was freely debated in this Council; it was referred to a select committee of this Council; ample opportunity was given to the public to give evidence before the committee, and finally it was passed with a free unanimous vote. It can, then, I think, be described quite fairly as a democratic measure giving expression to the will of the people.

It is necessary to say this because some of the criticisms regarding the proposed Nairobi National Park strike at the very principles of the Ordinance itself, and would render the Ordinance null and void. Let me quote the preamble of the Ordinance: "Whereas it is desirable to provide for the establishment, control, and management of national parks in the Colony for the purpose of propagating, protecting and preserving therein wild animal life and wild vegetation and of preserving objects of aesthetic, geological, pre-historic, archaeological, historical, and other scientific interest"; to which I would also add that a duty is laid on the Trustees: "to enable the public to see and enjoy these national assets, provided such assets remain unimpaired and unspoilt."

The Trustees propose to set about their task in relation to the Nairobi National Park in the following manner:

[Sir A. Vincent]

Recognizing the interests of the Nairobi citizen in this area, they will set up a Nairobi National Park Advisory Committee, and on that committee there will be five Nairobi citizens, who are not Trustees. Any question relating to the management of the proposed park and any proposal for any restriction of privileges hitherto enjoyed will be submitted to that Committee for its advice. In considering the whole question, information will be available to the Advisory Committee as to what is done in other national parks in other countries, some of which may be suitable for adoption here, and some not. It is impossible to indicate now what regulations will be necessary; indeed, it would be unfair to the said Advisory Committee to do so.

It is, however, the earnest desire of the Trustees to obtain the willing co-operation of the public, especially the Nairobi public, in their task of developing this great national asset in the interests of the country as a whole. It is also their desire to reduce restrictions to the limit necessary to carry out efficiently the responsibilities of the Trustees contained in the ordinance. In so doing, the people of the country may rest assured that the most careful consideration will be given by the Trustees to their wishes.

I trust that this statement will allay fears which have been expressed in the Press and elsewhere.

ADJOURNMENT

Council adjourned till 10 a.m. on Tuesday, 24th September, 1946.

Tuesday, 24th September, 1946

Council assembled in the Memorial Hall, Nairobi, at 10 a.m. on Tuesday, 24th September, 1946, His Excellency the Governor (Sir P. E. Mitchell, K.C.M.G., M.C.) presiding.

His Excellency opened the meeting with prayer.

MINUTES

The minutes of the meeting of 23rd September, 1946, were confirmed.

PAPERS LAID

The following paper was laid on the table by the Hon. General Manager, K.U.R. & H. (Sir R. E. ROBINS): Report of the General Manager on the Administration of the K.U.R. & H. for 1945.

ORAL ANSWERS TO QUESTIONS

No. 40—GOVERNMENT AND LOCAL NATIVE COUNCIL FINANCE

ARCHDEACON BEECHER:

1. What is the present position of the inter-relations of Government and Local Native Council finance?

2. When is it proposed to bring to an end interim expedients and to institute a system of grants which will stabilize Local Native Council finances?

3. Will Government please make available information indicating Local Native Council services which have been seriously curtailed as a result of the failure to achieve a satisfactory working solution to the problem of the inter-relation of Government and Local Native Council finance?

MR. MORTIMER (Commissioner for Health and Local Government):

1. The allocation of financial responsibility as between the Government and Local Native Councils is now being examined by the Member for Health and Local Government and the Chief Native Commissioner with a view to the submission of recommendations to the Government. Pending final settlement, all applications by Local Native Councils for interim financial assistance are considered on their merits, regard being paid to the general financial position of the Council making application. It is hoped

[Mr. Mortimer]

that proposals for a final settlement will be laid before this Council before the end of the year and in time for consideration with the Colony's estimates for 1947.

2. If it is possible to lay the terms of the proposed settlement before this Council by the end of the year and if the proposals are approved, Local Native Councils will be able to pass Supplementary Estimates for 1947 in accordance therewith and, if necessary, it will be possible, by such Supplementary Estimates, substantially to recast the original Estimates to conform with an agreed new formula.

3. It is not considered that any Local Native Council services have been seriously curtailed as a result of the delay in reaching a final solution to the problem of inter-relations between the Government and Local Native Council finance, although it is agreed that the incurring of additional expenditure, notably on further grant-aided schools, has been subject to limitation.

ARCHDEACON BEECHER: Arising out of that reply, is the hon. member not aware of the very serious curtailment of medical work in the Nyanza Province as a result of the failure to reach agreement on the inter-relation of Government and Local Native Council finance?

MR. MORTIMER: In reply to that, from the information at the moment at my disposal I was not aware that it was related to that particular problem, and it is being dealt with quite separately.

No. 42—MOTOR VEHICLES—THIRD PARTY RISKS INSURANCE

DR. RANA (Eastern Area):

(a) Will Government state why no locally established insurance company nor any Indian company (except one) has yet been approved under the Motor Vehicles Insurance Ordinance, although the Ordinance is to come into force on 1st October? (b) Is Government aware that this is proving a serious handicap to them in securing new business as well as in retaining the old? (c) Is Government aware that considerable routine work has to be done by companies before the Ordinance comes into force to comply with

its regulations? (d) Will Government publish the final list of companies immediately or in the alternative postpone the date of enforcement of the Ordinance so that all companies may have adequate time to complete the preliminaries?

MR. TROUGHTON: (a) The hon. member presumably is referring to the fact that the Government has not notified its intention of approving certain insurance companies when the Ordinance comes into force. On that assumption, the answer to this part of the question is that the delay was due to the necessity for making adequate inquiries into the financial position and general reputation of each company.

(b) The answer is in the affirmative. The Government has, however, already communicated to those companies concerning which no notification has been made the condition on which it is prepared to approve them under the terms of the Ordinance, and the companies concerned can assume that if they can arrange to fulfil that condition they will be approved.

(c) The answer is in the affirmative.

(d) The answer is in the negative. The Government has already published the names of a number of companies and will publish the names of the remainder as soon as they conform with the condition referred to in the answer to part (b) of the question.

No. 44—INCREASED COST OF LIVING TO PENSIONERS

MR. COOKE:

Is Government aware of the considerable hardships on account of the increased cost of living that are being endured by Kenya Government pensioners, especially those who are forced to reside outside this country? If so, will it be agreed in principle that urgent steps should be taken to ameliorate the position?

MR. TROUGHTON: The answer to both parts is in the affirmative. I would point out, however, that other Colonial Governments are concerned, and that Kenya cannot take unilateral action. I therefore cannot undertake to introduce amending legislation at an early date.

[Mr. Troughton]

2. I understand that proposals to deal with the matter are under consideration by the European Civil Service Advisory Board, whose report is awaited.

Mr. COOKE: Arising out of that answer, will the hon. member give assurance that he will take every measure to expedite, as far as possible, the other territories to take action in this matter?

Mr. TROUGHTON: I can give an assurance to that effect.

No. 45—TANA RIVER IRRIGATION SCHEME
Mr. COOKE:

With reference to my Question No. 130 of 27.8.45, will Government state the progress made in the survey work in connexion with the proposed Tana River irrigation scheme? If the report of the surveyors is favourable, will Government give an assurance that the work will be put in hand with the least possible delay?

Mr. BOYD: Six months' work has been devoted to the reconnaissance survey which has included an investigation of all possible intake sites over a distance of approximately 100 miles, the exploration and rough mapping of an area approximately 6,400 square miles, extending to a distance of some 50 miles on either side of the river, a soil survey and the making of arrangements for the collection of hydrographic data.

2. The next step in the investigation awaits the selection by the soil chemist from the samples given to him for testing as a result of the soil survey, of the most suitable type of soil. When the soil chemist's report has been received and the most suitable area has been chosen, a grade line will be run from the area back to the river to link with the intake sites already being investigated.

3. If the result of this preliminary survey work proves satisfactory, arrangements will have to be made as indicated in paragraph 160 (f) of Vol. I of the Report of the Development Committee for a detailed survey of the area to be carried out. The question of Government policy must await the result of a survey of the nature.

No. 48—CIVIL SERVANTS AND LAND PURCHASES

Mr. COOKE:

With reference to Circular Letter No. 95 of 1946, concerning advances to pensionable officers for purchase and/or development of land, will Government state if this privilege will extend to those who will be on the contributory pension basis? If not, why not?

Mr. TROUGHTON: The question of the extension to officers on contributory pension terms of the privilege referred to by the hon. member will be considered as soon as the Contributory Pension Bill becomes law. On the face of it, I see no particular difficulty in principle, though adaptations of the scheme will certainly be necessary.

SCHEDULE OF ADDITIONAL PROVISION

No. 1 of 1946

Mr. TROUGHTON: Your Excellency, I beg to move. That Schedule of Additional Provision No. 1 of 1946 be referred to the Standing Finance Committee.

Mr. FOSTER SUTTON seconded.

The question was put and carried.

PENSIONS

Mr. SULTAN ALI

Mr. TROUGHTON: Your Excellency, I beg to move: In consideration of his long, diligent and meritorious service from 17th June, 1902, to 1st April, 1946, both days inclusive, this Council is pleased to grant to Mr. Sultan Ali, sub-assistant surgeon, Medical Department, a pension of £212/13/3d. a year, representing two-thirds of his emoluments averaged for the last three years preceding his retirement and subject to the surrender of (a) his own and Government contributions to the Provident Fund, plus the interest thereon, amounting in all to £969/9/0d., which would revert to the general revenue of the Colony, and (b) the gratuity of £276/19/2d. which would normally have been awarded to him as a non-pensionable officer.

This resolution raises no new question of principle, but it is in accordance with many others which have been approved by this Council.

Mr. FOSTER SUTTON seconded.

The question was put and carried.

M'IMATHIO s/o M'MUNG'ANIA

Mr. TROUGHTON: Your Excellency, I beg to move: Whereas Tribal Police Constable M'Imathio s/o M'Mung'ania, of the Meru Tribal Police Unit, met with injuries in the execution of his duties resulting in his permanent disablement, this Council is pleased to award him an ex gratia pension of Sh. 8 per month with effect from 1st June, 1945, together with a gratuity of Sh. 192.

The facts of this case are that a tribal policeman in the Meru district was injured while endeavouring to arrest a well-known and dangerous criminal. His injuries were fairly serious and amounted to a disability of 30 per cent. As a result he was unable to continue in the service, though I understand from the medical officer who examined the case that he is quite fit to work on a shamba and to work in other ways, though he cannot continue to live the strenuous life of a tribal policeman.

It is possible that members may consider that a pension of Sh. 8 a month, with a gratuity of Sh. 192, is on the low side. To this the answer is that the man's pay at the time of discharge was Sh. 24 a month, and under the regulations applicable to African soldiers and to African police the maximum pension which can be awarded is one-third of the pay at the time of discharge. In this case the man is by no means totally disabled, so we considered that a pension of Sh. 8 a month was fair and reasonable, coupled with the gratuity of Sh. 192. This proposal has the approval of Standing Finance Committee.

Mr. FOSTER SUTTON seconded.

ARCHDEACON BEECHER: Your Excellency, would the hon. member give an assurance that, if at any time social legislation is introduced into this Council, we shall make it possible for persons placed in circumstances such as this to receive a higher pension than Sh. 8 a month, that this case and others will be reviewed and suitable adjustments made? because it is quite clear that a sum of Sh. 8 in days such as these, when Sh. 1 is worth about 40 or 50 cents, is a totally inadequate pension, even if the dis-

ability is only 30 per cent. I should like to know if it is possible for this and other similar cases to be reviewed in the light of future events and future legislation.

Mr. TROUGHTON: Your Excellency, I can give, in reply to the hon. member, an assurance that, if legislation is passed which permits these cases to be reviewed and permits awards to be made with retroactive effect, then this case will be reviewed. (Laughter.)

The question was put and carried.

SHEIKH NASSOR BIN AHMED

Mr. TROUGHTON: Your Excellency, I beg to move: In consideration of his long, loyal and meritorious service from 1st January, 1906, to 30th June, 1946, both days inclusive, this Council is pleased to award Sheikh Nassor bin Ahmed, Kathi of Malindi, Provincial Administration, a compassionate pension at the rate of £128 a year, with effect from 1st July, 1946, inclusive.

I hope that this resolution will be treated as formal by members of this Council, but it does raise something in the nature of a question of new principle and therefore I feel that I should give hon. members the background.

The Government has received in the past, and is receiving to-day, most valuable service from its Arab officers at the Coast (hear, hear), but their terms of service have never been on what one can call a really satisfactory basis. Terms of service of a sort were promulgated in 1910, and were never, so far as I have been able to trace, formally repealed, but in 1927, for some reason (which again cannot be ascertained because of the destruction of the Secretariat records), the Government started to regard its Arab officers as non-pensionable, and any pensions and gratuities which were granted were granted on an ex gratia basis. The whole matter came up for consideration early in the war, in 1942, and was discussed in the Standing Finance Committee at a meeting which was attended by the nominated and elected members representing Arab interests.

As a result two decisions were taken by the Government. In the first place, it was decided that all the existing Khalifs, Kathis and Murdurs should be given an assurance that, provided they satisfied

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It is in accordance with the first of these decisions that I am proposing this resolution, and a close consideration applies to the resolutions which immediately follow.

Mr. FOSTER SUTTON seconded.

The question was put and carried.

SHEIKH ALI BIN MOHAMED MKUUI, M.B.E.

Mr. TROUGHTON: Your Excellency, I beg to move: In consideration of his long, loyal and meritorious service from 1st May, 1905, to 31st May, 1946, both days inclusive, this Council is pleased to award Sheikh Ali bin Mohamed Mkuui, M.B.E., Liwali of Lamu, Provincial Administration, a compassionate pension at the rate of £262 a year, with effect from 1st June, 1946.

Mr. FOSTER SUTTON seconded.

The question was put and carried.

SHEIKH DAHLAN BIN MOHAMED

Mr. TROUGHTON: Your Excellency, I beg to move: In consideration of his long, loyal and meritorious service from 16th September, 1908, to 6th June, 1946, both days inclusive, this Council is pleased to award Sheikh Dahlan bin Mohamed, Liwali of Vanga, Provincial Administration, a compassionate pension at the rate of £247/7/10 a year, with effect from 7th June, 1946.

Mr. FOSTER SUTTON seconded.

The question was put and carried.

FISCAL SURVEY OF EAST AFRICA

Sir Wilfrid Woods' Report

Mr. TROUGHTON: Your Excellency, I beg to move: That this Council agrees generally with the conclusions and recommendations contained in a report on a fiscal survey of Kenya, Uganda,

and Tanganyika by Sir Wilfrid Woods, K.C.M.G., K.B.E.

There is no doubt that this debate, like every other debate on taxation, will raise questions of a controversial character, but I imagine that there will be little controversy on one matter at least. The East African Governments are indebted to Sir Wilfrid for a most careful and thorough inquiry, in which he went to great pains to ascertain the views of the various principal communities, and for a report which, whether we like it or not, presents a clear picture of the revenue position in the East African territories. It is true that the preparation of the report was handicapped by the lack of statistical data. It is also true, I think, to say that the real position has been to some extent obscured by the war and by the fact that the survey was carried out immediately at the tail end of the war, but in spite of these limiting factors, Sir Wilfrid has given us a clear picture of the position as he saw it.

At the outset I should like to make some general remarks on the subject of post-war taxation, particularly in relation to the development programme. All hon. members will by now, I trust, have had an opportunity of studying the report of the Development Committee and, whatever criticisms they may have of the report, I do not feel that they can justly say that it represents an ambitious programme in relation to the country's needs. On the other hand, it represents a minimum programme which cannot be undertaken without funds. I should like at the risk of being tedious to read two important paragraphs in that report on the subject of taxation.

The Committee say "As has been pointed out, the proposed programme, inadequate though it may be, will entail heavy additional recurrent expenditure. That most necessitate additional revenue from taxation. If the programme is to be carried out, and the Committee is firmly convinced that it is much less than should be carried out, then it is impossible to expect any appreciable reduction in taxation. The Committee hopes and believes that the proposed programme will create additional wealth and therefore have the result of spreading the burden of taxation over a wider field, but

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the plain facts are that it is not possible to contemplate a development programme even with generous assistance from His Majesty's Government in the United Kingdom which will not involve increased recurrent expenditure, and it is not possible to meet increased recurrent expenditure without increased revenue from taxation.

"The Committee therefore wishes to point out that if the programme recommended in this report is to be carried out taxation will have to remain at a high level. The fiscal system should be so designed as to afford the maximum of encouragement to industrial and agricultural development."

The views expressed in the paragraphs I have just read represent the considered opinion of all the members of the Committee. The plain fact is that we are faced with the prospect of maintaining a high level of taxation during the next few years, or alternatively of having no development programme worth the name at all. The alternative to a development programme in this country as it is to-day is, I submit, not stagnation but retrogression. With the agrarian problem as it is in this country, no Government that is worth its salt could possibly stand still. I personally believe—it may be rather a venturesome thing to say—I personally believe that a high level of taxation will be accepted willingly by all communities in this country, provided—and the proviso is important—provided that certain safeguards exist.

The first and most important safeguard, in my opinion, is that there should be no widespread evasion of taxation obligations by any section of the community. (Hear, hear.) People who meet their just dues to the revenue are entitled to expect and demand of the Government that everyone does the same. I should like to speak quite frankly on this subject. I am not—and I repeat not—satisfied that there is not serious evasion of income tax and excess profits tax. Two of the most important problems in that branch of Government for which I have the honour to be responsible, are, to my mind, first the elimination of tax evasion in the future and, secondly, to deal adequately with those who have failed to pay in the past.

The legal machinery for dealing with evasion exists in the law, to a great extent, and the chief need is for adequate and properly trained staff to enforce the law. The trouble is that the Income Tax Department during the war has been unable to recruit suitable staff, except in ones and twos. That is not an excuse for evasion, but it is a reason why we have not been able to deal with evasion adequately up to now. Now that the war is over the problem is only a little easier, because qualified accountants, for some reason or other, are like gold. Their price is beyond rubies and they are very, very difficult to secure. I have been in correspondence with Mr. Mundy, who is in the United Kingdom now, and he has told me that suitable staff are obtainable on certain terms, and we have authorized him to go ahead on the lines that he proposes. We have also told him that he is to recruit as many as he can, within reason, without regard to the establishment, because I know that the Standing Finance Committee will be only too ready to vote any necessary additional provision for the purpose of dealing with this all-important question of evasion.

Sir Wilfrid Woods on evasion (paragraph 137) says: "The evasion problem is, in any case, of extreme importance, because of the effect on the minds of those who can pay and are required to pay, of a belief that they are made to contribute more than their proper share to make up for those who pay less than theirs. It was represented to me repeatedly that income tax should be abandoned because of the alleged impossibility of preventing evasion on a large scale. While I regard the abandonment of income tax as quite out of the question, I think that strenuous efforts to deal with evasion are a matter of vital importance." Government associates itself to the full with Sir Wilfrid Woods' views as expressed in the paragraph I have just read out. When this additional staff arrives we will strengthen the investigation branch of the Department and will re-examine all the cases that have been passed over and put on one side as doubtful during the past few years.

I may say that the practice in the Department has been this. When the Department comes across a case about which they are not satisfied and which requires long and complicated inquiries

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they put it on one side, marked with a big "D". "D" stands for doubtful, and it means that the case has to be re-examined as soon as staff is available to re-examine it. There is no law of limitation under which prosecutions for income tax frauds are impossible after a stated period. We therefore can catch up with and deal with evasion, and we intend to do so. At this stage I should like to say quite openly to those members of the community who have in the past, by methods which they consider ingenious, succeeded, as they think, in dodging the Income Tax Department, that they should beware. It would be in their own interests to make a full disclosure now, because I can assure them that when they are found out the Department will deal with them without mercy.

Now, sir, there are two other matters relating to evasion on which I would like to express my views—they are only my personal views. I should like to see a complete system of registration of all races, registration and identification (hear, hear), not only in Kenya, but in the whole of East Africa, because there can be little doubt that a number of people do succeed in evading their tax obligations, and here I have in mind personal tax rather than income tax. A system or registration of all races, closely linked with the collection of revenue, might be a nuisance to some, but I am sure it would be in the public interest. This matter is being examined by a committee under the chairmanship of my hon. friend the Labour Commissioner.

The second suggestion I would like to make is the institution of a permanent peace-time system of exit permits. I would ask hon. members not to mix this up with the general question of immigration. It is quite different. I do not think it should be possible for any person to leave East Africa unless he is in possession of a certificate to the effect that he has discharged his obligations to the revenue. (Hear, hear.) I think that this is the practice in the United States, and the proposal will be examined here.

I mention these two questions, exit permits and universal registration, not because Government has taken any decision on them; but I should like to hear what hon. members have to say about the proposals.

When I first referred to this question of evasion, I said I believed that high taxation would be accepted by this country and the communities in it provided certain safeguards existed; and the first was that evasion should be negligible. The second is equally important, and that is that there should be no waste, but that expenditure on the development programme should be carefully and rigorously controlled. That is one of the main objects you, sir, had in mind in the appointment of the Development and Reconstruction Authority, and I can assure hon. members that my hon. friend the Chief Secretary is exercising the most strict control in this regard from day to day.

I should like to mention another aspect of this question of Government expenditure, and that is the effect of policy on expenditure. Sir Wilfrid Woods in para. 29 of his report—and I should like to quote it, because it is important—says: "I have noticed in East Africa, however, as elsewhere, a tendency to combine discussion of possible economies in the carrying out of policy with discussion of the merits of the policy itself, and to alternate casually between the one and the other as though they were identical and as though a cogent criticism of a method of carrying out a policy is an equally cogent criticism of the policy itself, or vice versa. This combination is to be expected, of course, when controversy over disputed policy is in progress, but it invariably obscures the fact that it is the policy itself, much more than the methods adopted in carrying it out, that causes expenditure, and consequently taxation, to rise or fall".

This confusion is, I am afraid, frequent in this country, but the plain fact is that it is not possible to carry out a policy which involves increased activity on the part of Government without expenditure. I know that certain organs of the Press will say in a leading article today that "we must have a larger police force", and in a leading article the following day will say "we must have a substantial reduction in taxation." Frankly, that is just boloney. Granted that high taxation is necessary—and I would even go further and say the taxation of the order contemplated by Sir Wilfrid Woods is necessary—what about the specific taxation proposals referred to in the report?

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I should say straight away that Government has taken no decisions whatever on the proposals in the report, and that if any considerable opposition to these proposals is expressed in this debate it is not the intention of Government to press this motion to a division, but I would ask the leave of the Council to withdraw it. The main object of putting forward this motion to-day is to secure expressions of opinions from hon. members which can be borne in mind in framing the revenue policy for 1947 in consultation with other East African Governments. I have already had personally an informal exchange of views with the financial secretaries of neighbouring territories, and as soon as this debate is over we will consult together again and the report will be formally considered by the Governments and an announcement as to this Government's policy will be made when the budget session is opened in about a month's time. Meanwhile, any expressions I may express on taxation during the remainder of my remarks must be taken as personal views.

Regarding customs and excise, I am not going to say anything, because if I did it might lead to intelligent anticipation and speculation on the part of the commercial community, though I have no doubt they will indulge in that pastime anyhow. (Laughter.) Our proposals regarding customs and excise duties must be worked out inter-territorially and in secret, but we would be glad to hear what hon. members feel regarding the particular proposals in the Woods report. I would just make one remark, that it is of little use in my opinion making any reduction in customs duties unless we are quite sure that that reduction will be passed on to the consumer, with a corresponding reduction in his cost of living or cost of production, as the case may be, and any relief which went to the traders solely and not to the taxpaying community generally should, I feel, be ruled out.

I should also like to hear what hon. members feel about the assumption that Sir Wilfrid Woods makes that the purchasing power of the East African territories will be maintained for the next few years. He says: "There is little doubt that in all the three territories, to a

greater or less degree, there is a certain latent spending power, resulting from increased earnings during the war from a variety of sources, together with a shortage of consumer goods on which to spend such earnings. I assume that for the next few years at least the purchasing power of the East African territories will be maintained". I should like to hear what hon. members think about that submission and in doing so I should like to refer to the overriding importance of non-native enterprise in the maintenance and the enhancement of purchasing power.

Turning to income tax, hon. members will have noted, some possibly with dismay, that Sir Wilfrid Woods does not recommend any reduction in the basic rate of income tax, and I have no doubt we will hear his report criticized on that account. (Sir Alfred Vincent: Hear, hear.) I should like to say this, that despite what my hon. friend the member for Nairobi South thinks, a reduction in the basic rate of income tax is not necessarily the best way of providing relief from income tax. The important thing seems to me to be to ease the shoe where it pinches most. As regards personal income tax, a very simple example will illustrate what I mean. A married man with two children on an income of £500 a year at present pays about £3; if the income tax allowances for children were stepped up, but the basic rate of the tax remains the same he would pay nothing. In that way he would get a much greater relief than if the children's allowances remain the same but the basic rate of income tax was reduced. That is a matter of simple arithmetic. It is platitudinous, but it does go to show that a reduction in the basic rate of income tax may be misleading, and not the best way to provide taxation relief. Admittedly a reduction in the basic rate of income tax is grand from the standpoint of making political capital. (Sir Alfred Vincent: Hear, hear!)

At this stage I should like to say something about the great importance—and it is important—of maintaining identical rates of income tax, rates and allowances, in all the East African territories. If we had divergent rates in the territories the existing simple method of assessing tax as between territories could no longer be maintained, because where income was remitted from, say, Tanganyika to Kenya, it would involve two complicated calcu-

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in order to ascertain the appropriations in order to ascertain the appropriate relief from double taxation. That would not only mean more work for individual firms, it would mean more work for the very limited staff of the department and, most important of all, it suggests it would mean more staff, with less staff available to deal with the all-important question of evasion. Again, if the tax rate on companies operating in the three territories varied the rate of tax to be deducted from the dividends paid to shareholders would have to be a composite rate based on the proportion of income earned in each territory and taking into account the rate of tax which had been paid on the amount of the "carry forward" that was taken into the inter-territorial rates of tax would lead to more evasion. It would be a comparatively simple matter for a taxpayer operating in more than one territory so to arrange his affairs as to charge his expenses, or to reduce his income in the territory with the highest rate, so that this particular type of taxpayer would get an unfair advantage over the rest of the community. There is, therefore, for these reasons, everything to be said in favour of having one set of rates and allowances, even if it does mean a certain amount of give and take on the part of individual territories in negotiations. To put it into a nutshell, variation in the rates of tax as between East African territories would lead to less revenue, greater expenditure and more evasion.

The next matter to which I wish to refer is Sir Wilfrid Wood's paragraphs on the balance of trade. I think we would all agree generally with his conclusions, but there is one particular matter I should like to mention. It is the intention of Government to tap the market for a further loan in due course. We have learnt a lot, I am afraid, from our experience in connexion with the last loan. One always has to pay for experience in these matters, and we will take care in the future to ensure that any local loan that is raised is readily marketable, but it is idle to assume, I suggest, that Government would be justified in paying a much higher rate of interest than the prevailing rate on a local loan, or that there should be any fancy financial provision such as that dividends on a local

loan should be free of income tax or any thing like that. We must, I suggest, borrow at reasonable rates on reasonable terms, and if we cannot do so locally the only conclusion that we can come to is that the investing public in this country has not got sufficient faith in its future to lend money for development.

Another matter raised by Sir Wilfrid Woods is one where I am afraid I must join issue with him. He said in paragraph 215, talking about the relationship between Government and Local Native Councils: "I doubt whether any such logical division of functions will be practicable, etc., etc. In the meantime the present rather confused division of executive and financial responsibility between the Central Government and the Local Native Councils seems more likely to induce an interest in public affairs and willingness for self-taxation than a more logical division will achieve." I do not agree with him, and neither does my hon. friend the Chief Native Commissioner or my hon. friend the Member for Health, because under the present basis neither the Government nor the Local Native Councils have any real clear idea where they stand and, as the hon. Member for Health said in answer to a question this morning, we hope proposals to put the whole business on a proper basis, subject perhaps to review after a period, will be laid before this Council before the end of the year.

I am not sure, again, that I agree with Sir Wilfrid Wood's view regarding the institution of a graduated personal tax on Africans, a sort of embryo income tax. There are grave difficulties about introducing such a tax at the present time because of shortage of administrative staff and the administrative difficulty of dealing with it in these circumstances. It is far better, I suggest, not to impose a tax which can be evaded, but nevertheless we cannot escape from the fact that the present system of taxation of Africans is not entirely satisfactory. (Hear, hear.) For one thing, the present poll tax is a serious burden on the majority of Africans, because there is widespread poverty in the native reserves; but on the other hand there are, I think we would all agree, many well-to-do Africans who can properly make a greater contribution to the revenue. I hope it will be possible to remedy this in the near future,

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but I should be glad to know what hon. members think about it.

As regards stamp duties, Sir Wilfrid Woods did not have time to investigate the matter, but I have asked the hon. Commissioner for Lands to go into it and submit comprehensive proposals for a revision as soon as he can.

A more controversial matter is traders' licences. I have personally never hesitated to say that I do not think traders licensing is a really sound way of collecting taxation revenue. On the other hand, if the present traders' licensing fees were reduced one section of the community, namely the trading section, would benefit. To be quite frank—I do not think the burden on the trading community should be reduced at the moment. I am not here influenced solely by that fact that I believe a good deal of the tax evasion has been a good part of the trading community, but I think such relief from taxation as can be given should be given to those who are most in need of it. In other words, to those with tight fitting shoes where the shoe pinches.

I should also like to refer to gold royalties. I consider that a royalty on the production of minerals is a natural and proper consequence of the fact that minerals are the property of the crown, but the royalty, I suggest, must be such that it does not retard development and the exploitation of the colony's mineral resources. On the contrary, we must all agree that the development and exploitation of the mining industry is of very first importance for the future of this country.

Finally—I am going to be shot at for this—I should like to mention a matter not referred to by Sir Wilfrid Woods, but one on which I would like the opinions of hon. members. For some time past I have been wondering whether it would be desirable, as a means of raising revenue, to impose a tax on betting. Government, I may say, has not considered this seriously, but I am putting it forward seriously now. There is no doubt about it that the habit of betting is spreading extensively, and the last time I went to the races (laughter) I could not help being impressed by the amount of money changing hands at the book-

makers' tables and at the tote. I may say that I made some small personal contribution to the amount. (Laughter.) I believe it would be possible to impose a percentage tax on all bets laid on the course and at starting prices in the bookmakers' offices, and it would be possible for the Inland Revenue Department to collect it without evasion. I suggest that we would be taking spare money. I suggest that such a tax would create no hardship, because if a person is prepared to bet he is prepared to lose his money anyway (laughter), and he might just as well lose some to the State. I also suggest it would have a very small effect on the odds laid by bookmakers. Anyway, those odds are so poor that a little more or less would be neither here nor there. There may be objection to such a tax; personally I see none; but if there are I should be grateful for the views of hon. members.

I have made no attempt this morning to cover the whole field of Sir Wilfrid Woods' report, but have merely fastened on a few points which struck me as important. This debate is in the nature of a ballon d'essai, because Government feels it is far better, when putting its budget in final form and formulating its revenue proposals finally, to have a clear indication before it of the views of the hon. members on the questions raised, and I therefore ask hon. members to keep fairly strictly to the Woods report.

The position is that our war-time taxation legally comes to an end at the end of 1946, and that whatever legislation is imposed during 1947 will require legislation. Here Sir Wilfrid Woods has put forward concrete proposals. His report is worthy of serious consideration, and the fact that we are having a special session of the Legislative Council to deal with it indicates that it is in fact receiving serious consideration. I am afraid that it will not be possible to meet all the views which hon. members will express in this debate regarding taxation, and I have no desire to lead hon. members up the garden path over this matter, because taxation must be on a high level, but I can at least assure hon. members that any views they express in this debate will receive the close and serious consideration of Government. (Applause.)

MR. FOSTER SUTTON seconded.

SIR ALFRED VINCENT: Your Excellency, I must congratulate the hon. mover on a very moving speech. Listening to him, I became of the opinion that he was giving vent to a great deal of commonsense, but, on the other hand, that he was drawing conclusions which were quite unjustifiable because they were based on misconceptions, and as I listened to the cadence of his eloquence I thought once again that the legal world has been denied a great advocate because he has chosen probably the more respectable, and certainly less lucrative profession of finance. (Laughter.) But his eloquence did not leave me entirely unmoved, because to a great deal that he said I entirely disagree with him.

Curiously enough, I thought that he would quote paragraph 237 of the Development Report and draw a conclusion from it. If you examine paragraph 237 it says: "The Committee therefore wishes to point out that if the programme recommended in this report is to be carried out taxation will have to remain at a high level." But it does not say a "sky high" level. The word "sky" is omitted. I think we know what the Committee meant by a "high level." It is quite wrong to draw any such conclusion from it, because if you examine the membership of the Development Committee you will find that there were some very level-headed gentlemen upon it. Their idea of high taxation may be taxation a little in excess of pre-war taxation. Therefore we cannot say that we should be faced with the immediate prospect of high taxation, or of maintaining a high level of taxation, during the next few years. Then again, he said that there was no real alternative to a high level of taxation, and of course I supposed he based that on Sir Wilfrid Woods' statement in his report that no challenge to development had been made in the last budget debate, as written in Hansard. Sir Wilfrid Woods said there was no challenge to development, and certainly there was not, but the real argument which arose from the last budget session was as to whether or not the war-time taxation should cease last December instead of this December. I would remind members of this Council that in last year's budget there was a war element of over a million sterling in Appendix Q. So do not let us be fogged by the hon. mover's eloquence and his

conclusions, because you cannot relate the whole question of taxation merely to our opinion of steady development within the Colony.

He then referred to tax evasion, and he was of the opinion that we can catch up with it and deal with it, and said that he had asked the Commissioner, who is at home now, to go ahead and recruit within reason. I should like to take this and other points now, while my memory is fresh, in reply to him before dealing with the report itself. Both he and Sir Wilfrid Woods expressed the view that we can catch up. Well, for the purposes of my argument, I hope very much that we will be able to catch up on assessments and collections, but I am not at all sure that we are not shutting the door after the horse has gone, unless Government is willing to take very strong action. A great deal of money (and when I say a great deal I mean a lot of money) I believe has gone out of this country and no tax has ever been paid on it, and it has come back as new capital through another channel. I understand that under the Income Tax Ordinance both the banks and the Post Office can be made to divulge remittances from this country and to this country, in secret, to the Commissioner of Income Tax. I do not believe that those powers have ever been used, but grim circumstances necessitate grim measures, and from the figures which I will give you later you will realize, unless I am mistaken, that great difficulties are experienced by the Department in making assessments. There is another provision in the Income Tax Ordinance, the Commissioner is empowered to order that books are kept in English, but I do not think that that has yet been done. It would, I imagine, make collections and assessments very much easier if this system were carried out.

While we are on the question of evasion, I, and I am sure nearly all my colleagues, if not all of them, greatly deplore the fact that Government found itself unable to call in Sh. 100 notes and Sh. 100, because as soon as the suggestion was made Sh. 100 notes were changing hands at a considerable discount, and in fact some friends of mine were only waiting until they got down to Sh. 80! A great opportunity was missed then, a

[Sir A. Vincent]

I am not going to deal much with the detail of Sir Wilfrid Woods' report, but the hon. mover did say—and I checked it in the report—that Sir Wilfrid has made the suggestion or the statement that "the abandonment of income tax was out of the question". I cannot accept that, and the reasons will become evident later.

Just finishing on the point of evasion, I must say, and I feel I must stress it, that the point which was made by the mover and the forcible and forthright way in which he made it, lifted from me a feeling of depression, because to hear a senior official of this country give vent to such definite opinions, instead of indulging in that humiliating policy of snivelling appeasement to which we have been accustomed in some circumstances, was a source of great encouragement to me. (Applause.)

On the question of the registration of all races, as has been pointed out by the Secretary of State in the House of Commons, England had to do it, and I think that in order to protect all the people of this country, in order to see that justice is done to each individual and each community, this should be done at the earliest possible moment. On the question of exit permits, I consider that is an excellent suggestion, because there is no doubt about its effectiveness to those of us who have been to America and know the system. It is quite a simple one. Before you get your steamer or air ticket you go to see a very pleasant gentleman who questions you, and if he thinks that you have made no money while you have been there, and if you do not pay any tax. But if you boast about what you have made, then you do pay tax. It does prevent the citizens of America also from, quite accidentally, no doubt, forgetting they owe the Government some money for taxes before they leave the country. I suggest to you that that is a perfectly reasonable suggestion, and I call it more than reasonable, I say it is essential and that this should also be carried out at the earliest possible moment.

I could not help being struck by the hon. mover when, like all advocates when they have got a weak case they keep on repeating a theme in order to make you believe it. For instance, twice after his first remark about the Development Report and the members thereof agree-

ing to maintaining a "high level of taxation," he said again that the country would willingly, he thought, "pay high taxation, subject to certain safeguards". If he had said "reasonable taxation" I should have agreed with him. Then, with a burst of eloquence, he said: "granted that high taxation is necessary". I would have agreed with him if he had said: "granted that sufficient taxation is necessary"; because nobody has granted that high taxation is necessary, because it has not yet been defined.

I was very pleased to hear his undertaking that no decisions have been taken by Government on the report, and that, if there is any considerable opposition to the proposals Government will not press this motion to a division. I think he will find that it will be unnecessary for Government to press to a division, but it will certainly be necessary for him to withdraw the motion.

He wanted to know, and he will correct me if I am wrong, what members felt about the assumptions of Sir Wilfrid Woods in paragraph 79, in his forecast for the next few years of East African purchasing power, do we think it will be maintained at its present level? Sir Wilfrid Woods' guess is as good as mine, but I do not agree with him in the light of the present position. If he had said that with all the huge outstanding indents we are likely in the next two years to have an inrush of goods with a consequent sale of some at below cost, as has already happened in Mombasa, and unless something abnormal happens about the third or fourth year there would be very much less merchandise imported, I would have agreed with him, but I consider there are no grounds of either logic, reason or common sense upon which anybody can say that the position is going to remain for the next five years as it is to-day, especially when consideration is being given to finance and revenue.

The hon. mover then stated that a reduction in the basic rate of income tax was not necessarily the best means of providing relief, but I submit to him that it is a very good one. Curiously enough, he twitted us by saying or inferring that if we asked for such a reduction we should merely be making political capital. Well, that is not so. We have no need to make political capital

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over a matter so grave, but I hope to offer a solution of the income tax problem when I deal with the report as a whole. His submission that he thought that identical income tax rates should be in force throughout the three territories, I wholeheartedly support. Our difficulties are great enough as it is, and if there was any difference it would make the position very difficult, and I am quite certain that all the territories would be prepared to give and take, so long as Kenya does not have to "give" all the time!

On the question of local loans, the hon. mover stated quite frankly that lessons had been learnt from the previous loan floated, and he warned us—I took note of his actual words—that "we must not expect a higher rate of interest on local loans than those ruling at home". I do not agree with him, but in this case I agree with Sir Wilfrid Woods, that the rate of interest for local loans should be higher than rates overseas. I am not prepared to say it should be "much higher", but where I cross words with the hon. mover it is in another conclusion which he drew which was completely wrong and not based on fact. I took great care to try and get his actual phrase. He said that "unless we borrow at reasonable rates locally, we could only come to the conclusion that the people of this country or the investing public have not sufficient faith in the country's future to lend money for development". That is quite wrong, and I would like to deny that with all the force at my command, because as a trustee or as an ordinary investor you have to associate the rate of interest you are offered on loans with the rate of income tax you have got to pay, and if the result of the net income afforded you is small, you just do not invest in the loan; you wait until you can get a higher rate in some other investment. Therefore, the failure of a loan does not mean lack of faith in the country itself, but because of the high rates of income tax we have to pay and the low rate of interest offered; and I think that is a very fair statement! For instance, take the present rate of income tax compared to other countries. The interest rate on the loan already floated leaves a very meagre return after income tax has been paid.

Then the hon. mover dwelt for a moment on native taxation. This is one of the most difficult questions which faces the country at the present time. To my knowledge there is a great dividing line between the rich and poor in terms of shillings. Of course, a man is rich or poor as his needs dictate and according to his provision for those needs. I am well aware of that, but we have now among us a very virile, very intelligent, very able group of Africans, who have entered into trade. I do not like to quote figures unless I am certain of my facts, but I know, and I have good grounds for believing, that the incomes of some of these Africans go as high as £600 to £800 a year, and property was recently bought by a group of Africans in Nairobi township for an amount of £12,000 or £15,000. Taking it at £12,000, it does represent a considerable amount of money for investment! I believe that these natives would readily understand the necessity of contributing to the revenue of the colony because of the great success which life has now afforded them. If Government make a reasonable request, I think that the Africans themselves can take no umbrage at it.

On the question of the poll tax, this has always worried me, because it is not equitable in any way, but if we have a poll tax I think that that tax should be collected, and where an officer has reached his "estimate" he should go on collecting and not sit back.

On the question of traders' licences, if you have them, as we have them to-day, as a source of revenue, I have nothing against them personally, but I think they should be put on a proper basis. The hon. mover rather hurt my feelings because he let me know in no unmeasured terms exactly what he thought of the trading community. I am coming back at him because it has been my experience that it is not only the iniquity of the trader which has caused the loss of any revenue, but also the sheer, downright iniquity of Government negligence, and I will give you a very good example. About seven years ago I was in another town talking with my manager when a bright young fellow came in and after asking a decisive question said "Thank you" and went out. My manager said: "That young fellow is asking for trouble." I said: "Why,

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what is he doing?" My manager said: "He is the local tax collector and has been raised the opposite of heaven in order to collect the back taxes and traders' licences, he has even been in shops valuing the goods in order that the traders shall pay the right amount, but," he said, "he is asking for trouble, they are furious about it, all of them". To do Government justice, this man was not dismissed from the service (laughter), he was kept there for a time and ultimately went into the country. If the hon. mover can draw a conclusion from that, the conclusion is the opinion of the public of this country as to what invariably happens to a junior officer when he is zealous in his work!

On the question of the betting tax, one of the last items mentioned by the hon. mover, I do not agree with a betting tax on local races. The hon. mover eloquently told us that the odds were so bad now at the local races that a tax would not make any difference or make them worse, or they could not be much worse, and I submit that if there are no odds at all it is no good betting. To be serious, horse breeding in this country must be encouraged, and there is a very small racing public, and in my opinion those who own horses are rendering a very good service to the country in continuing racing for the very small returns which they obtain from the prize money. But I do feel that we must do something about the bookies (or bookmakers in this honourable Council!) who accept bets on English racing, because if a bookmaker accepts bets on a local course he has to be monetarily guaranteed to the stewards before he is allowed to stand. I am unaware—perhaps the hon. Financial Secretary will correct me—if other bookmakers have to do anything in that way. Therefore, first of all, the public should be protected and I think that quite a heavy licence should be paid, because the other day, quite by accident, I discovered the easiest way in the world to make money. I opened a telegram not addressed to me, inadvertently. The telegram came from England and said: "You are on at 20 to 1", giving the name of the horse. Out of sheer curiosity, the next morning I looked in the paper and the local odds were 7 to 1, so that it does not take very much thought to

set yourself up as local bookmakers and lay off with bets at 3 to 1. Advantage: provided the punters pay you, you can make money that way! That is exactly what happened, and if the hon. Financial Secretary is eager for information I will give him the name of the horse, but not the name of the bettor!

While we are on this point, I should like to mention lotteries. I think we are the most strange collection of human beings, at least our morals are, in the world. We allow lotteries for all sorts of objects and to help various institutions, and surely we are safe in following the lead of the Irish, if nothing else, and I would like the hon. mover, if he can, to tell me who decides that we should not have State lotteries in this country in exactly the same way as they have in Southern Rhodesia? Personally, I think it must be an old bald head from Balham, who goes off to London, arrives at his office about half past ten, reads an important document, such as this report, makes a decision which affects the lives of hundreds of thousands of people, and says: "You can't do that there here!" and then goes out to play dominoes at 6d. a time and have coffee with a friend until lunch time. I should like to know how these things are decided, because if we allow betting, if we allow lotteries of any sort, surely if we want revenue we should consider a State lottery. In any case, we should try, and be consistent!

The hon. mover said he hoped this would not become a two-budgets debate. I entirely agree with him, but I am afraid it will have to be half a budget debate, and if his little French phrase "Ballon d'essai" means "This is where the balloon goes up", I entirely agree with him. (Laughter.)

On the Woods report, I think we may as well start, although the hon. mover has already confirmed it, with my quoting the present position, because in Hansard, Vol. XXIII, column 619, 8th January, 1946, Mr. Mundy, then Acting Financial Secretary, stated: "His Majesty's Government have not yet issued a proclamation declaring the war to be at an end, but the Government of Kenya, after consulting the Secretary of State and other East African Governments, has decided that the date chosen for the formal declaration of the end of the war, so far as the existing war-line

[Sir A. Vincent] legislation is concerned, shall be the 24th February, 1946, which is the date on which the United Kingdom Emergency Powers (Defence) Acts are due to expire. This means that our war-time taxation legislation will come to an end on the 31st December, 1946. This morning we have had the Government assurance from the hon. Financial Secretary that the Woods report has not been accepted in any way by Government and that Government will not attempt to enforce its conclusions on the country, but I would ask—

Mr. THORNTON: On a point of explanation, I said that the report had not been accepted by the Government and that the Government did not propose to press this motion to a division, but I did not say it might not be necessary to press the taxation proposals on the country.

Sir ALFRED VINCENT: I had hoped that you had meant what I had stated, because if Government does try to force this on the country then your balloon d'essai will go up! The point is that I want members of this Council to get down to the right basis in this debate. We could have been entirely misled by the eloquence of the hon. member if we were so inclined. As I see it, it is not a question of an increase or decrease in the amount that should take place in the present rates of taxation which disappear at the end of this year, but how far we are prepared to increase the pre-war taxation in order to meet our present needs and our contribution to revenue for the development of this country, that is the correct basis, and there is no other.

As to the report itself, it puzzled me because, although I found it an extremely interesting document, I could not accept it as a fiscal review, as I understand it. Its merit lies more in its neat history of taxation than in its recommendations, and I certainly feel that the comparisons drawn in it are biased to presumably justify the continuance of the present very high rates of taxation. It in no way influences me in my approach to this subject and, as I have already stated, this is the moment when we must face this problem as a whole, completely unprejudiced by the Wilfrid Woods report, al-

though paying due regard to his arguments and opinions.

I will not attempt to deal with the report in detail, but with some of the basic principles involved. Sir Wilfrid Woods' terms of reference were as follows: (a) to review the system, distribution and incidence of existing taxation, both direct and indirect, and to make recommendations for future fiscal policy, showing estimated yields over a period of years; (b) to examine existing methods of assessment and collection of taxes and to recommend any improvement in assessment or collection which appears to be necessary or desirable.

I have quoted these because in what I have to say I do not want to be accused of being irrelevant.

Sir Wilfrid Woods admits that his "estimates and judgments do not rest upon a sure foundation or co-ordinated statistical information". I entirely agree with him, but it is not my intention to examine actual figures and facts and draw logical conclusions from them. In order to appreciate the present rates of income tax with those existing before the war, I have made comparisons in certain income groups which will give a fair comparison, and in all these comparisons which I will give you I have confined myself to one category in the following income groups: £500, £1,000, £2,000, £5,000, and the category is a married man with wife-living and two children, no insurance allowances or other allowances have been taken into consideration. In all the comparisons which I am going to quote you I have followed through on this one basis to prevent confusion.

Kenya Income Tax Incidence

Group	Pre-war	To-day
	£ s. d.	£ s. d.
£500	Nil	3 0 0
£1,000	18 5 0	62 5 0
£2,000	89 0 0	275 0 0
£5,000	430 12 6	1,632 10 0

Where I find myself in complete disagreement with Sir Wilfrid Woods is because of the injustice of his comparisons with income tax paid in Great Britain to-day compared to Kenya. This comparison is only suitable to attempt to justify the present war rates of taxation, but in all reasons you cannot justify compare taxation in Great Britain, with

[Sir A. Vincent] all its amenities and commitments with a young country such as Kenya, or, indeed, with Tanganyika or Uganda. Therefore, I have asked for and obtained most readily from the Kenya Government the following sets of comparisons with other African possessions, from which you will see that Kenya bears a very heavy burden of income tax compared with all others, which are the only fair comparisons for this purpose.

Income tax data—Married man with two children; no insurance benefits.

Group £500		Territory		Tax		Minimum*	
	£	s.	d.	£	s.	d.	£
Gold Coast and Sierra Leone	b.e.						
Sierra Leone	1	5	0				
Gambia (max.)	3	15	0	1	5	0	
Nigeria	4	10	0				
Kenya	3	0	0				

The tax in Nigeria in this class, of £4 10s. is the only case where Kenya payments are exceeded in these comparisons.

Group £1,000		Territory		Tax		Minimum*	
	£	s.	d.	£	s.	d.	£
N. Rhodesia	11	0	0				
Gold Coast and Sierra Leone							
Sierra Leone	15	0	0	9	7	6	
Gambia (max.)	22	10	0	15	0	0	
Nyasaland	23	10	0				
Nigeria (max.)	31	10	0	16	17	6	
Kenya	62	5	6				

(Kenya practically double of any other maximum!)

Group £2,000		Territory		Tax		Minimum*	
	£	s.	d.	£	s.	d.	£
Gold Coast and Sierra Leone							
Sierra Leone	125	0	0	102	10	0	
Gambia (max.)	147	10	0	125	0	0	
N. Rhodesia	157	7	6				
Nyasaland	206	5	0				
Nigeria (max.)	214	10	0	165	0	0	
Kenya	275	8	0				

Territory	Group £5,000		Tax		Minimum*	
	£	s.	d.	£	s.	d.
Gold Coast and Sierra Leone						
Sierra Leone	815	0	0	770	0	0
Gambia (max.)	860	0	0	815	0	0
N. Rhodesia	1,061	6	3			
Nigeria (max.)	1,276	10	0	1,177	10	0
Nyasaland	1,291	15	0			
Kenya	1,632	10	0			

I have shown the Crown Colonies in this comparison separately in order not to confuse the issue by the inclusion of the Union of South Africa and Southern Rhodesia, but the comparison with these two territories still shows the very heavy burden Kenya bears in comparison with them.

Territory	Group £500		Group £1,000	
	£	s.	d.	£
South Africa	5	10	44	13
Southern Rhodesia	3	0	22	10
Kenya	3	0	0	0

The curious result of Southern Rhodesia paying the same as Kenya in the £5,000 group may be correct or it may be a mistake in a letter or cable.

I am aware that the reply will be that other direct taxation must be associated with income tax in arriving at a conclusion in these comparisons. Unhappily, I have not been able to obtain this other detailed information completely, but such information as I have obtained leads me to the conclusion that we are not out of line with other crown colonies in indirect taxation and our burden of income tax is very heavy. I have not, for instance, been able to compare the complete taxation of South Africa with Kenya. I know that in addition to income tax, South Africa has a provincial income tax. Then again, I do not think we can possibly compare the amenities of South Africa with those of this country. This, however, is not the complete picture of the question of income tax as such. For a tax to be fair, equitable and just, as income tax is supposed to be, its equity and its continued acceptance by any country must depend upon its competent and real collection, more especially when the population is composed of various communities.

* According to education expenditure.

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I agree with Sir Wilfrid Woods in his comments on the difficulties which have faced the Commissioner of Income Tax during the war, and sympathise with him in his task caused by the apparent and very real impossibility of obtaining the necessary staff and machinery to enable him to "assess", let alone collect, income tax as it should be collected, but the fact remains, as the following official figures will show, that income tax as a tax is of such a nature that if the necessary machinery does not exist, it cannot be collected in a fair manner as between communities, and therefore rates are apt to be kept at a level entirely unwarranted, merely because of the difficulties of collection, and those who do pay bear a most unjust burden.

The following are official figures, which will reveal the position. I understand that assessments are in arrears extending as far back as 1941, in varying degrees. In giving these figures, I would stress that these are figures of assessment which the Department has been able to make so far, from which members will no doubt readily form their own conclusions of the difficulties encountered in assessment.

Approximate Tax Assessed at 31st August 1946

Year of Assessment	European Individuals	European Companies	Total
1943	474,000	480,000	954,000
1942	538,000	448,000	986,000
1941	587,000	302,000	1,089,000
1940	512,000	378,000	890,000
			3,912,000
R.P.T.	293,000	2,212,000	£3,803,000
			£7,715,000

Of the £3,212,000 Excess Profit Tax, £560,000 was assessed in London, but the profit was presumably made here.

Year of Assessment	Asian Individuals	Asian Companies	Total
1945	£	£	£
1944	110,000	24,000	138,000
1943	110,000	22,000	142,000
1942	100,000	22,000	122,000
1941	64,000	28,000	94,000
			527,000
R.P.T.	197,000	148,000	£345,000
			£872,000

£873,000 compared to the European total of £7,747,000!

In view of this position and these facts, I shall make suggestions as to how we should cope with this situation and this tax in particular when summarizing at the end of my remarks. I will say here, however, that I cannot agree with Sir Wilfrid Woods in his doubt as to the advisability of communal finance wherever possible, and I make the point that our income tax, being in excess of those of similar territories, severely discourages residential or other settlement in this country.

Traders licences. On the question of evasion, of course it is well known throughout the country that there is a great deal of evasion under the Traders Licensing Ordinance. What can be done, however, as I mentioned earlier, was done in one town where the collection of traders' licence fees in four years rose from £8,500 to £16,000, and not because of the issue of new licences. This occurred between 1941 and 1945, but I understand that an inspector has now been appointed, and it will be most interesting to see what effect this has and what amount of money is collected as a result of it.

Duty and Excise: I feel that the proposals made in the report require very close examination. Here again, in these suggestions, the burden will be borne more by one community than the others, and I feel that there should be a greater spread, if possible, between communities. I very much doubt the wisdom of increasing permanently the cost of transport in this country by the petrol tax, suggested in the report.

Posts and Telegraphs: I agree with the proposed new set-up and running this Department on business lines as, indeed, I would like to see other Government departments run, especially in regard to stores accounting and the carry over from year to year, but we must not lose sight of the fact that the Posts and Telegraphs do provide a source of revenue which will increasingly spread in its incidence to all communities.

Public Debt: I was disappointed with the very brief reference made to the question of loans in the report, page 75, 180 (a). This is a matter of great importance and merits close examination and attention. In the financial statement on page 7 of the 1946 approved Estimates the following paragraph appears:

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"(1) a sum of £2,582,867, which would be required to be paid into the Sinking Funds in 1946 in respect of the Colony's portion of outstanding loans, if the loans were to be redeemed from Sinking Funds at the earliest due date of fixed due date and on the assumption, that present Sinking Fund arrangements continue". There is no suggestion in the report, perhaps because it was too elementary, that the earliest opportunity should be taken of repaying these loans by the issue of loans at a much lower rate of interest, which brings one to the point of loans generally, especially the association of the Colony's loan with those of the Railway.

I am aware that the £5,000,000 per cent loan of 1921 has been repaid, and the balance of £1,820,000 converted at 2-7/8ths per cent repayable in 1971-1976. I am surprised there is no mention in the report of the desirability of separating Railway loans completely from the Colony's loans. This would mean, of course, that the land, 100 feet each side of the line through which the railway passes, would have to be transferred by both the Kenya Government and the Uganda Government to the Railway with, of course, the proviso that it can only be used for railway purposes. Then the Railway could raise its own loans on its own assets and would leave the Colony free to raise loans to a greater amount than I believe it is at present possible. On page 131 of the 1946 Estimates the Colony, in fact, takes responsibility, from an investor's point of view, for Railway loans to an extent of £13,251,808, but after the redemption of the 1921/1946 loan, it is £10,826,422, which must restrict the Colony's borrowing powers very considerably, and I am confident that this point should have been made in any fiscal review. I know it has continuously been advocated in a very able manner by the hon. General Manager of the Railway. I am aware, of course, that Uganda takes responsibility for approximate £2,000,000 of such loans, but I submit that the present principle is wrong and inimical to the interests of the Colony's finance and development. This matter should not be shelved any longer. Although the next loan of £5,000,000 is not due to be redeemed until 1948, I think considera-

tion should be given to offering the present holders a scheme of conversion at a lower rate of interest than the present 3 per cent for a longer term of investment, say 10 to 15 years. I know we shall have to battle with that stolid body, the Capital Issue Committee in London, but if it results in a considerable saving of interest to the Railway Administration it will be well worth it.

Sir Wilfrid very rightly makes a point of the "time lag" between economic development schemes and increased taxable capacity". The point I want to make, however, is somewhat different, it is "the fair spread of expenditure over a period of years through the just apportionment of expenditure and tax incidence, made possible by the intelligent use of loan provisions, at the cheapest possible rate"; because—we must, in fairness to the present taxpayers, take great care that they are not burdened unfairly because of arrears of development or because of expenditure on schemes embodied in long-term policies. Their burden should be their just proportion of such expenditure and nothing more.

I have only dealt with matters of principle and have not attempted to go into much of the detail of the report itself, and am certain that the facts I have given are sufficient to completely justify the following proposal.

There must be a tremendous sum of uncollected taxes. Revenue for the present year is very buoyant, and will probably be for two years more. Therefore, there is complete justification for the Government of this country to both increase the allowances and lower the rates of income tax appreciably and budget for a reasonable deficit for the financial year 1947, and also, in my opinion, 1948. If Sir Wilfrid Woods' belief is correct in paragraph 139, we should be able to collect a vast sum in the next two or three years. In income tax alone, which is not yet assessed, for the year 1941 to date. During the next two years, the war expenditure will cease and we shall also be able to examine the true effect and incidence of taxation and review the situation generally in times which we hope will be more normal. I am certain the people of this country are prepared to pay what is equitable and right, but they will not tolerate a con-

(Sir A. Vincent) anything of the present conditions or anything like them.

The hon. mover will now know that we cannot, under any circumstances, accept the motion before the Council, and I trust he will withdraw the motion after the views of other members have been expressed. (Applause.)

Mr. Bouwer: Your Excellency, I must add my felicitations to those of the last speaker that the hon. mover tried to make so skillfully everything except the question of evasions. I must say that I associate myself with the remarks made by the hon. Member for Nairobi South on that matter. The only thing I want to say further in that connection is, and I hope the hon. mover will forgive me, if I remind him; that what he told us had already been told us before, and we are not so much interested in hearing what Government is going to do about this question of evasion, but what they have done on an adequate scale.

The most complimentary thing I can say about this report of Sir Wilfrid Woods is that to my mind it is completely contradictory, and I hope by drawing the attention of hon. members to statements he has made in the report, to the conclusions he has drawn at a later stage, and the recommendations he has made, to show how contradictory the report really is. Right from the start, in paragraph 1, he starts off by saying "I cannot claim that such estimates and judgments as this report contains rest upon a sure foundation of co-ordinated statistical information". I suggest that if a person starts off with that, one can scarcely take the rest of the report seriously except as a historical document. But the hon. mover has suggested that we must take it seriously, and therefore I am going to take it seriously.

In paragraph 6, page 3, Sir Wilfrid Woods says: "Without for a moment forgetting the importance of other non-native elements from this point of view, I find in the European farmers of Kenya a striking example of the way in which the non-native producer can add enormously to the total wealth of the country, find solutions for local agricultural problems which others can adopt, and at the same time contribute through taxation to the revenue of the State. Nothing

must be done which will destroy this essential function of the non-native element of the populations of East Africa." He goes on right down almost to the end of the page in the same sort of vein. One appreciates that sort of statement coming from him, and I must say when I read that that I thought he had certainly "seen the light", but I did have a shrewd suspicion when I went through the rest of the report that it was only sugar to coat the pill that came afterwards.

I go on from there to paragraph 8, where he speaks about the "magnitude of the East African agrarian problem". In the middle of the paragraph he says: "This is one of the dark shadows on the future of East Africa which nothing but positive action by the Governments can dissipate". I cannot agree more strongly with him and would like to have seen the words "positive action" printed in very large type, because that is exactly what we have been waiting for for a very long time, positive action. He then goes on at the end of the paragraph: "So far as apprehensions of rapidly rising taxation have been aroused by measures to deal with the agrarian problems, confronting the Governments of East Africa, such measures appear to be of sufficient importance to be a first charge on whatever taxable capacity the countries possess".

If one reads that for the first time there seems nothing much to cavil at, and one must agree up to a point. But I suggest to hon. members that that is a very important paragraph which may mean more than at any rate appears when one reads it first of all. If it means that this agrarian problem is of sufficient importance not only to be a first charge, but to justify taxing these countries up to the limit, I think one has to go into the matter more carefully, especially in view of the fact that the unofficial communities of Kenya during the last quarter of a century, in season and out of season, have drawn the attention of Government to what dire results their lack of policy, especially in the native reserves, and lack of will to govern would have. Now, when the country has been ruined, more particularly some of the reserves, to come along and say "Well, we realize we have to pay to put these matters right", I think it is just going a little bit too far when one has regard to the fact that the

[Mr. Bouwer]

local Government is a local projection of the Secretary of State, who again is a projection of the British taxpayer. If this report had said these territories should help to combat this agrarian problem, I could agree, but I cannot agree that this should be the first charge on whatever taxable capacities these countries have, because I am quite certain that even if we were to agree to the suggestion the deterioration has got to a stage when the taxable capacity of these territories would not in any way be able to deal with the problem on an adequate scale. Even if we were bled white I doubt whether that would be so.

The next paragraph I would deal with is paragraph 9, on page 5. In it Sir Wilfrid Woods draws our attention to, and makes comparison between, the policy of the Colonial Office at the end of the first world war and of its policy now. Then it was a policy of exploitation of the economic resources of the Empire so as to increase these resources. Now it is a policy of African welfare and of a complete social revolution in the shortest possible time. If one reads his arguments in paragraphs 21, 23 and 215 of the report, and paragraph 7 of the summary, one is forced to the conclusion that his recommendations are such as to allow Government to extract the maximum possible taxation from the non-native communities to implement that policy and to let the Africans get off without paying a fair share of the cost of the services which will benefit the Africans principally. This we cannot accept. Indeed, I believe the natives would not be prepared to accept such a policy, because the net result of such a policy would be that they would not be able to have the social services which they very ardently desire. Therefore, I suggest that as Sir Wilfrid Woods' recommendations are obviously designed to tax the non-native communities as much as possible and to let the native off as lightly as he can, they are completely contradictory and wrong.

I then go on to paragraph 11, where Sir Wilfrid Woods talks about medical and social services. I doubt very much indeed if Kenya can afford more than a fraction of the funds required to implement modern ideas of education and medical services. At the same time,

it is essential that some of these ideas be applied as far as possible; and for that it is necessary that the African should realize that unless he is taxed more heavily than is suggested in this report it will be impossible for him to have these increased social services.

I would draw attention to paragraph 233 in that connexion, just one item—tax revenue. Native poll tax in 1938 amounted to £334,127; in 1946 the estimated revenue is £545,000, and Sir Wilfrid Woods suggests that the average annual revenue from that tax for the next five years should not be more than £550,000. If one considers that sum in relation to what has been collected in the past from Africans—I believe that 15 years ago it was as high as £636,000—and further takes into consideration the fact that the African population is increasing and must have increased very largely since that time, and if one takes into consideration the fact that the reserves are said to be full of money, I fail to understand how Sir Wilfrid Woods can estimate so low a figure as £550,000 for the next five years. But perhaps he was thinking when he did that of what is sauce for the goose is not sauce for the gander, because in paragraph 23 he says: "No new method of assessment would have any chance of success if it was not accepted by the people concerned, even if in fact it was a better method. I should myself suppose that a change is much more likely to be successfully effected if it has its origin in a demand for a change from a majority of the people dissatisfied with the present form of taxes than if it is introduced as a proposal of the Central Government". All I can say is that I hope we are not going to be racial in this, and that this dictum will be applied to the natives as well.

Now I come to a very important paragraph, paragraph 16. Here I hope I am going to answer one question on which the hon. Financial Secretary sought our advice. At the bottom of the paragraph Sir Wilfrid says: "I think it would be wise"—he is talking about economic development schemes and increased taxable capacity—"to assume that during the next ten years the taxable capacity of the three territories will only be increased to a minor degree by schemes

[Mr. Bower] Because the approach to this fiscal survey has been wrong from the start and that its recommendations appear to be based on little that is factual and indeed merely seeks to consolidate existing taxation, thus breaking solemn promises given in this Council; because any taxable capacity must largely be based so far as we can see on the agricultural industry for the next ten years or more and this industry is subject to variations outside our control; because his recommendations regarding native taxation are entirely inadequate and unfair in their incidence, taking the community as a whole; because a halt must be called to a policy of the largest possible extraction of taxation from part of the community to further a social revolution in the shortest possible time; because the large war expenditure has now ceased which made the 1946 budget, and possibly the 1947-1948 budgets, possible. Therefore, sir, I oppose this report as strongly as I can and its recommendations.

The debate was adjourned.

ADJOURNMENT

Council adjourned till 10 a.m. on Wednesday, 25th September, 1946.

He realizes that any taxable capacity the country possesses must come from agriculture, and yet he makes the assumption, which I do not think is justified in the slightest degree, that the agricultural industry will have the taxable capacity in the next five years that it had in the immediate past. Admittedly we have had several good crop years, with the exception of one or two crops, notably coffee, and if one takes the law of averages because of the fact that we have had several good years, it is likely that in the next few years we can quite safely budget for the fact that we are likely to have bad seasons. Therefore, again I say I do not believe he is right or justified in any way in making the assumption that we will be able to realise the same level of taxation from that industry in the next few years as we did in the last few.

I have mentioned just a few of what I consider contradictory things about the report, and I want to sum up.

Because the approach to this fiscal survey has been wrong from the start and that its recommendations appear to be based on little that is factual and indeed merely seeks to consolidate existing taxation, thus breaking solemn promises given in this Council; because any taxable capacity must largely be based so far as we can see on the agricultural industry for the next ten years or more and this industry is subject to variations outside our control; because his recommendations regarding native taxation are entirely inadequate and unfair in their incidence, taking the community as a whole; because a halt must be called to a policy of the largest possible extraction of taxation from part of the community to further a social revolution in the shortest possible time; because the large war expenditure has now ceased which made the 1946 budget, and possibly the 1947-1948 budgets, possible. Therefore, sir, I oppose this report as strongly as I can and its recommendations.

The debate was adjourned.

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Wednesday, 25th September, 1946

Council assembled in the Memorial Hall, Nairobi, at 10 a.m. on Wednesday 25th September, 1946, His Excellency the Governor (Sir P. E. Mitchell, K.C.M.G., M.C.) presiding.

His Excellency opened the Council with prayer.

PAPERS LAID

The following papers were laid on the table:—

By MR. TROUGHTON:—

Standing Finance Committee report on Schedule of Additional Provision No. 1 of 1946.

By DIRECTOR OF EDUCATION (MR. PATRICK):

Statement in connexion with Question No. 51 asked by the hon. Member for African Interests (Mr. Mathu).

MINUTES

The minutes of the meeting of Tuesday, 24th September, 1946, were confirmed.

NO. 43—PENSIONS APPEAL TRIBUNAL COLODEL MODERA (MOMBASA):

Will Government state when they propose to establish the Pension Appeal Tribunals visualized in His Majesty's Forces Pension (Amendment) Ordinance, 1946, which was assented to on the 14th August, 1946?

MR. TROUGHTON: I regret I am not in a position to give the hon. member a firm date as the various regulations require the sanction of the Secretary of State. It is, however, the intention of the Government to enact the regulations and establish the tribunals as soon as possible.

NO. 50—AFRICAN TRAINING SCHOOLS MR. MATHU (African Interests):

Will Government please state when they will start building the primary and agricultural schools in Embu, and the training schools for Froebel teachers in Embu and Vihiga and the probable time of completion of these schools?

MR. BOYD: The plans for the Agricultural School and Teacher Training and Primary School at Embu are well advanced. Bricks are being manufactured at Embu and certain farm buildings have already been commenced. It is hoped that it will prove possible to commence the building of the school at Embu before the end of the current year.

The plans for Embu will be utilized at Vihiga, and consequently it should prove possible to commence the work there early in 1947.

Provided that materials are readily available the buildings should be ready for occupation by the end of 1947.

NO. 51—AFRICAN TEACHERS

MR. MATHU:

Will Government please state: (a) the number of African teachers who were in employment both in Government and voluntary aided and unaided African schools; (b) how many of those in (a) were certificated and uncertificated; (c) the number of those certificated with E.T.C., L.P.T., P.T. and Makerere diploma; (d) the number of Africans who were undergoing training as teachers in 1945?

MR. PATRICK: (a) According to the returns received by the Education Department there are 4,799 teachers in employment in Government, voluntary aided and unaided African schools.

(b) Of these 2,094 are certificated and 2,705 uncertificated, including technical and agricultural instructors.

(c) The certificated teachers comprise 1,498 elementary, 454 lower primary, 110 primary and 32 Makerere teachers.

(d) In 1945 348 elementary, 174 lower primary, 26 primary and six Makerere teachers were undergoing training. In addition 15 Makerere students who had stated their intention of training as teachers were taking the higher studies course.

* A statement tabled this morning shows the divisions as between the various types of schools.

AFRICAN TEACHERS

*The following further information is given in connexion with Question No. 41 asked by the Member representing African interests (Mr. Mathu)

	Government	L.N.C.	Aided	Unaided	Total
(a) All Teachers	125	2,180	2,180	2,391	4,799
(b) Certificated	64	100	1,410	620	2,094
Uncertificated (including technical and agricultural instructors)	30	25	770	1,871	2,705
	103	125	2,180	2,391	4,799
(c) Makerere Certificate	11	1	10	1	33
Primary Teachers	25	23	60	2	110
Lower Primary Teachers	19	24	347	64	454
Elementary Teachers	0	52	984	453	1,499
	64	100	1,410	620	2,094

CONDUCT OF PUBLIC

AT SITTINGS OF COUNCIL

On the next order of the day being called from the chair—

MR. COOKE: Your Excellency, before the motion is continued may I, with your permission, sir, and with the indulgence of Council, raise a point which affects the dignity of this Council?

There has grown up recently a custom of applause and plaudits from the public who come to this hall. I would be the first to deny to others the great privilege which we on this side of Council have in listening to the eloquence of certain hon. members, or garnering those pearls of wisdom which flow from their lips, but it is entirely contrary to the customs and usage of the House of Commons. There is nothing in Standing Rules and Orders governing the matter, but there is a passage which says: "In all cases, not herein provided, resort shall be had to the rules, forms, usages and practices of the Common House of Parliament."

It may be a matter of little moment at present whether these interruptions take place or not, but it might be a matter of considerable moment later on when possibly we will have large numbers of Africans present at our debates, and there would be a tendency, if this applause is not restricted, for this Council to be turned into what might be termed something like a bear garden. So I would ask that you, sir, should give a ruling as

to what should be the procedure in such matters.

HIS EXCELLENCY: It is unquestionably the case that we should be guided in a matter of this kind by the practice of the House of Commons, and it is totally improper for members of the public, by applause or interjections or in any other way, to as it were, take any part in the proceedings of the Council. In future, if it should occur again, I shall have to ask the officers of the Council to require anybody infringing this rule to leave that part of the Council Chamber provided for the public.

EAST AFRICAN FISCAL SURVEY

SIR WILFRID WOODS' REPORT

The debate was resumed.

MR. THAKORE (Central Ward): Your Excellency, it seems to have become customary to congratulate the mover of a resolution in this Council even though the speech be severely attacked. In the present case I do sincerely congratulate the hon. Financial Secretary on the very clever exposition of the case in presenting the resolution now before Council.

To my mind, the Woods report is in the nature of an evaluation of the true economic structure of the Colony rather than an attempt to force its recommendations, either on this Council or on the public generally. It has made certain very valuable recommendations which are likely to be of assistance in assessing the future approach to our financial problems. One

(Mr. Thakore)

of the recommendations says that there is not likely to be an appreciable increase in the taxable capacity of the country during the next five or ten years. Bearing that in mind and realizing, as we have done already since last year's budget was discussed in this Council, that there must be a considerable increase in our permanent recurrent expenditure, I have no doubt in my mind that the recommendations made in this report will be supported by all sections of this Council, and will be taken advantage of when we come to press for increased services, greater personnel and highly technical staff and things like that.

Another aspect that has been mentioned in Council is in respect of the individual's capacity to pay more in relation to income tax. Certain very illuminating figures have been put before us by the hon. member for Nairobi South, which go to prove the large incomes which are made by a certain section of the community. It also goes to prove at the same time that the production of wealth has been centred in that particular section of the community, and, since income tax is based on an individual's capacity to pay, income tax has always been considered to be the right method of taxation, and when the demand and the general population demand services, and those services help to earn those incomes, one should not grudge in contributing from those incomes.

In respect of those very large figures of a few million pounds which were put before us, I should like to know what incomes were made during the last four or five years by large companies like the oil companies and the construction companies and motor companies. It would help us to understand why and how those large tax figures have been brought about, and whether they have created any hardship on the companies or individuals earning those incomes.

We have a very large development programme, and it was only last year that the new idea was put forward on the floor of this Council to support the long-term development programme from the yearly budget. Now it was understood by all and accepted by all that, in order to work that development pro-

gramme, it would be necessary to dip our hands into our pockets, and unless we carry out that programme by making contributions to the working expenditure, we cannot look forward to real progress in the production of wealth in the country. If we fail to do so, as has been pointed out by the Woods' report, we would not only be stagnating, but retrogressing, which I am sure no hon. member of this Council wants. Bearing that in mind, I am almost sure in my own mind that the only way to go about it is to accept this report in broad outline, accept it as a guide and, as the hon. mover has said, not press it to a division. I see no object of pressing the adoption of this report by resolution of the Council.

I have no more to say on the general principles. I am in agreement with the report and, as I have said, if we want more services, more staff, more people to help us in building up this future economy of the country, we ought to make our proper contributions.

ARCHDEACON BEECHER: Your Excellency, I rise I find myself somewhat in a quandary. I feel I can neither support the motion on the one hand nor oppose it on the other, and that for three reasons: The hon. mover in the course of his speech quite early on intimated his preparedness; if the motion and the report itself were criticized from this side of Council, to ask leave to withdraw the motion and not press for a division. Secondly, during the course of his speech I found it very difficult to believe that he was moving the motion really *ex animo*, for he found himself on more than one occasion breaking a lance with Sir Wilfrid Woods, and not only criticizing him but suggesting quite diametrically opposed methods to be implemented if his suggestions were accepted. Thirdly, two of my hon. colleagues on this side of the Council, in opposing the motion, declared more than once their agreement on a number of points with Sir Wilfrid Woods. In view of all this, I feel the only thing I can do is to fulfil the request made of us by the hon. mover and offer a number of criticisms.

May I first say that my position would have been a great deal easier if the motion had been cast in somewhat different terms. If, for example, there

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had been a proposal to refer the Woods Report to a select committee of this Council and to instruct that select committee to subject the report to detailed examination and then report to this Council, it would have been a good deal easier for some of us—certainly for me—to have supported the motion.

By way of criticism. In the first place it seems to me that if we accord general acceptance, whatever that may mean, to Sir Wilfrid Woods' report, we have virtually accorded our approval to the Development and Reconstruction Authority's report and to the financial limits which it imposes upon development and reconstruction in this colony. During the course of his speech, the hon. mover referred to the development and reconstruction programme as something that was by no means ambitious. That is just the quarrel a large number of us have with the report, and consequently with the Woods Report. We feel that the programme is not sufficiently ambitious by any manner of means to deal with the vast agrarian problem that confronts us in this country, among other things. Because the Woods report, I repeat, and the Development and Reconstruction Authority's report seem so inextricably tied up the one with the other, it would be impossible for me to accord general approval to the Woods report.

A second criticism has already been ventilated, namely, that Sir Wilfrid, in opening his report, calls attention to the lack of statistics available to him on which to base his survey. I am not a statistician, I am not a financier, but it does seem to me a matter of common sense that it is practically impossible to prepare a reliable picture, complete in every detail, of the fiscal position of this country in the absence of such statistics, and if we do accord any measure of general approval to the Woods report, we must ask that Government will give an undertaking, which I hope they will, that there is a general preparedness to revise conclusions in the light of new statistical information, as it becomes available, and I trust that Government will not allow this indictment to go unheeded, namely, that when we have a fiscal commissioner, he is unable to complete his task because of the lack of very vital statistics.

Another criticism—scarcely of Sir Wilfrid himself, but of those who formulated his terms of reference: the report obviously suffers as a result of its crippling terms of reference. Sir Wilfrid found himself unable to refer, except incidentally, to the question of expenditure, and there can be on the part of the country no measure of confidence, certainly not that measure of confidence which is necessary in days such as these, in a fiscal survey which does not have coupled to it a most careful statement of expenditure and, on the part of the Commissioner himself, a statement to the effect that he is satisfied that extravagant expenditure is not taking place in this country at the present time.

Yet another criticism of the report is that the Commissioner does not advocate a bold use of what Sir William Beveridge calls "deficit finance". There is a very fleeting, and only a very fleeting reference to the Commissioner's preparedness to recommend the use of loan expenditure, and that financed by local loan. If we were to accord general approval to the report of the Commissioner we would find ourselves more or less tied to a programme which did not envisage anything like the use of loan expenditure that some of us would like to see. Of course, these words coming from me at the present time are scarcely necessary in view of the fact that the hon. mover yesterday broke a lance with Sir Wilfrid Woods and declared it was not his policy to recommend to Government that they should follow the Commissioner's advice in this respect, and I was glad to hear from him an announcement to the effect that it was his intention to float a further loan in, I hope, the very near future.

Incidentally, I was a source of great satisfaction to hear him quarrel with Sir Wilfrid Woods on yet another point, namely, the necessity for getting a very clear statement on the inter-relationship between local native council and Government finance. As a representative of African interests my biggest indictment for Sir Wilfrid Woods' report would be along these lines, namely, to criticize the very loose approach to this very vital question of Local Native Council and Government finance, and I should like to take this opportunity of thanking Government for the reply they gave to my question yesterday and, further,

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make a promise that the matter would be expedited. I find myself compelled to add that similar promises have been made in the past and unfortunately not kept, and I trust that on this occasion we shall have finality reached within a measurably short space of time.

Another criticism of the Woods report is that economic considerations are largely, though not entirely, glossed over. My own feeling is that we cannot have an effective fiscal system planned and carried into effect without very much more consideration being given to the economic bases of society than Sir Wilfrid Woods has been able to give, crippled as he was by his terms of reference. I do not feel disposed this morning—I am not feeling particularly well—to go into considerable detail on this subject of the economic situation of this country at the present time, but I do hope that Government will give an assurance that the economic structure of society and plans for its stabilization will receive full attention, both by the Development and Reconstruction Authority and from the Economic Adviser.

If I may proceed to another point of criticism, it is that I feel that Sir Wilfrid Woods' opinions on education expressed in the opening part of his report, in paragraphs 12 to 14, are opinions to which some of us more particularly interested in the advancement of African education find it difficult to subscribe. Here again, having said that, I do not propose to anticipate the debate on the budget which will take place so very shortly, but I would plead for an early implementation of the promise to which the Commissioner refers on page 7, namely, that Government will undertake as searching a survey as is possible into educational expenditure at the earliest possible opportunity.

One might go on making other criticisms, but there are other members of the Council who doubtless will be able to do that far more effectively than I can. But I must make one or two remarks on points on which opinions this side were sought by the hon. mover, and on some points raised by my colleagues on this side of Council in the course of their speeches.

First of all, I personally—and I can only speak personally because in 24 hours one cannot consult the large African constituency I represent—personally welcome his proposals for a system of registration and exit permits. I feel that whereas perhaps some people may be a little grudging in rendering to God the things that are God's, many of us seek to do all we can to encourage our fellow citizens to render to Caesar the things that are Caesar's, and I trust the hon. mover will do all he can to get that system of registration for the whole of this country in operation as soon as possible. (Hear, hear.) I am convinced it is something which will ensure a very considerable increase in revenue to the country and in no way interfere with the liberty of the subject, and I am sure evasions such as have taken place in the past will not so easily take place if a full system of registration and exit permits comes into operation.

The second point on which the hon. member asked for information and on which I should like to comment, is that which concerns the purchasing power of the community. In particular, may I in reply to him give him my opinion of what I consider to be the likely purchasing power of the African in the post-war years? Here again it is a personal opinion, I feel it is unlikely to be maintained. I should like to say as emphatically and so boldly as I can that there are no large sources of latent wealth widely distributed throughout the African reserves. There have been years of famine, the price level index has risen very high, and there has been a very considerable volume of black marketing, and the consequence of that is that although initially a certain amount of wealth may have found its way into the hands of what one may call, as it were, inverted commas, the common people, that money has passed through their hands and gravitated into the hands of a few, and for the most part that few is non-African. The reserves are not full of money in the sense that the hon. member, for Usain Gishu sought to imply, if I understood him aright; in his speech yesterday, and I feel that is one of the things which makes us plead that Government should do all within its power to ensure stabilization in wages and prices of goods both of the primary

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producer and of consumer goods. There is a very considerable danger of further inflation, but an economic collapse can be avoided if steps are taken now; but if they are not taken I see a very great danger of an economic collapse affecting more particularly the large African community, with a consequent impossibility of carrying out that large and ambitious development programme that most of us hope to see in the post-war years.

That leads me to a third point on which our opinions have been sought, namely, the taxable capacity of the African people. I very much deprecate, along with others of my colleagues, the introduction of a racial issue in this respect, but I sensed yesterday in the speeches made on this side of Council (and maybe my colleagues will hate me for saying this) the idea that the non-native is the only person who is paying any measurable amount of tax. I know you will cite figures, but as the hon. Indian member who spoke before me indicated, the amount of money paid in tax when that tax is on a graduated scale is at once an indication of the existence of wealth and capacity to pay. The real question is, it is true to say that the African is sitting back and paying as little as he possibly can and expecting the maximum amount of service? And I submit that is definitely not the case—I repeat, it is not the case—to suggest that the major part of the African development programme is being carried out by non-native Kenya taxpayers.

I believe that the average African, as I know him, is a decent fellow, prepared to make the biggest contribution he possibly can to the State and to the development of the country as a whole. There are certain inhibiting factors, and to these I shall have to call attention in a moment or two. There has been, to my mind, a most regrettable outburst both in the Press and in general conversation on the subject of making the African pay, as if the only way in which this country could be developed was to take an African who is unwilling to pay his tax and enforce payment of it in the highest possible degree.

On this particular point I find myself in complete agreement with Sir Wilfrid Woods. I am perfectly convinced that we shall never get an effective develop-

ment of this country—if that attitude is adopted towards the African. Let me explain very carefully what I mean. If you take the whole sum of money which the Development and Reconstruction Authority has at its disposal, and allocate it on a per capita basis, it will be discovered that monetarily the development of the country is on a basis roughly of Sh. 6 per head per annum. Unless that Sh. 6 per head per annum is wedded to the good will and preparedness to work on the part of the African and other communities, your money is just being wasted, and I submit that at the present time, unfortunately, the African has not the confidence in the Development and Reconstruction Authority and its plans which is likely to bring about that good will, without which the plans cannot satisfactorily be carried into effect.

I do not believe that he has been effectively consulted in the preparation of the district plans, and I do not believe that since their formulation there has been adequate publicity in the vernacular Press and other means sought to secure the essential good will of the African taxpayers in carrying them out.

Coupled with that, there are other remarks that I must make on the subject of taxable capacity. Those of us who sit in office chairs and who are rarely able to visit the African in his home do not realize the depth of African poverty. I have served in this country for nearly 20 years, and am compelled to argue that, with the exception of a few, there is still widespread poverty among the "common people", again using that word in inverted commas. And I maintain that to-day, in 1946, that poverty is at all intents and purposes as deep as it was when I first made the acquaintance of the Africans in this country. Poverty is a thing which is bitter in the lives of the majority of the African people of this land.

The second point I wish to make in connection with the taxable capacity of the African is that the Local Native Council cesses are not taken into account when the budget figures are presented, and if hon. members would add to that figure in the budget of half a million which the African pays in direct taxation the amount he pays in the form of Local Native Council cesses, they would then only begin to get some realistic

[Archdeacon Beecher]

picture of the contribution the African makes by direct taxation. If it were to ask the Commissioner of Customs to give me an indication of the proportion of customs and excise revenue which accrues from the African people of this country, he would be unable to do so, but I think it is true that a considerable—certainly not an inconsiderable—part does come from the African purchaser. And in addition to all that, it must be remembered that the social services of the African in the African land units are in the most elementary stage and the amount of assistance that he receives on a per capita basis—far, after all, he is a human being in exactly the same way as I am—the amount of money received on a per capita basis for social services is singularly small, and it is surprising to me that he has not before now turned round and said "Thank you for nothing".

In the face of that, he voluntarily assesses himself. He has built up schools and paid for staff without the demand of a single cent either from Local Native Council funds, from District Education Boards or from the Central Government, and if hon. members wish to get any idea of the amount of money the African is at the present time, out of his poverty, producing, both in direct taxation to the Central Government and also for local government and local community affairs, they should have at their disposal facts considerably in excess of those they now possess, and I am sorry that Sir Wilfrid Woods was not able to make a much more generous recognition of the amount of self-help the African is at the present time giving to himself.

Let me pass on now to another point to which my colleagues have referred and which has received a measure of publicity in the Press. They have fastened on to the isolated example—I repeat, isolated example—of a limited number of Africans who appear to have large incomes, and have demanded that the promise of the hon. Financial Secretary of nearly a year ago should be implemented, when he said: "We have designs on these gentlemen". I submit that it has been a dereliction of duty on the part of the Commissioner of Income Tax in that income tax has not been collected from these individuals, because, if I understand it aright, there

is no exemption of any individual on the ground of race from the submission of an income tax return or the payment of income tax, and I believe that if income tax forms were submitted to these gentlemen, as they are called, they would fill them in honestly and meet the demands made on them. I trust that we shall not hear again of these "designs on certain gentlemen", who are alleged to have large incomes, if it is thought that they should pay—and I believe they are prepared to pay.

Passing on to another question which the hon. mover raised, namely, that of graduated poll tax. A graduated poll tax is in a sense in operation at the present time, in that different rates are fixed for different districts, according to the economic capacity of those districts, and the District Commissioner is afforded facilities for granting exemptions. But I take it that the proposals are more far-reaching than that. I would submit that if a system of graduated poll tax is to be introduced, it will only be possible effectively to apply it to Africans in employment; but there comes another rub. You cannot collect tax on a graduated scale to any lavish degree if the wages of the people who are expected to pay that tax are below the level of subsistence, and I submit that at the present time the wages of a very considerable body of Africans fall far short of the standards that should exist if we are to afford them any reasonable measure of social security.

I should like to be so bold as to say that I have every confidence that, if we can only secure the co-operation and good will of the African people in this land, we shall be able to get from them, both in terms of direct taxation, in terms of Local Native Council cesses, and in terms of self-help, adequate support for the most ambitious development and reconstruction programme. Arising out of this debate, if nothing else comes of what I have been trying to say this morning, I trust Government will give an undertaking that every measure will be taken in order to secure African co-operation and good will.

A final point. The hon. member for Nairobi, South, expressed personal opinion and suggested that the time had come when we should increase the income of this country by the introduc-

[Archdeacon Beecher] tion of State Lotteries. We may have derived a number of very good things from that small island to the west of Wales, but I very much doubt whether we should be doing any useful service to the country by importing a system of state lotteries. It is something which would affect people who already are on small incomes. They would be seized with an appetite for something which was wholly beyond their capacity to afford, and if any form of state lottery is introduced—perhaps it will become me in my position to make this suggestion—but if any form of state lottery is introduced, perhaps the hon. Financial Secretary will turn himself into a Mr. Littlewood, number people's income tax returns, and draw from the barrel those who in particular should be exempt from income tax and, in order to do that, step up the income tax by Sh. 1 or Sh. 2 in the £. But that is rather by way of being facetious!

I would thank the hon. member for the approach which he has taken, namely, that he has offered to listen here to any criticisms which may arise from this side of Council and I trust that what is, in spite of all I have said this morning, a most valuable historical survey of our fiscal system, coupled with Government's wise decisions arising out of this debate, will mean that we go forward into an era of prosperity with financial confidence, without which our development would be impossible. (Applause.)

HIS EXCELLENCY: I must again remind members of the general public that if anybody applauds I shall have to ask the officers of the Council to eject him or her. It is totally improper for members of the general public to take any notice of what is said or done on this side of the barrier.

MAJOR JOYCE: Your Excellency, I see it is a quarter to eleven, and I hope I shall not be late longer than that quarter of an hour to say the little I have to say on this subject. I should like to congratulate the hon. Financial Secretary for the way he presented this motion, and if I find myself unable to support it I should like at this stage to say how grateful I am, and I think others of us are, for the expression of opinion that Government

is quite willing to withdraw the motion, because I think that still allows us an opportunity of expressing a few remarks on the subject.

There has been an attempt in some way to tie up this Wilfrid Woods report with the report of the Development Committee, and I think that some of the inferences made by the mover are not as correct as they should be. Anyone who refers to the Development report will find that committee reported quite frankly that they thought additional revenue would be required to fulfil the development programme, and that no doubt is so. On the other hand, they did not state that that would necessitate an increase in the rate of taxation. I welcome very much the strong reference made by the mover to the subject of evasion and to the promise of the strongest possible Government action to collect additional revenue by seeing that those people who should pay their taxes do in fact do so. The Development Report actually envisages the possibility of a reduction in taxation and I think, if you will refer to the report, that the wording is that they do not anticipate any considerable reduction in taxation, but I suggest that that makes it quite possible to have some moderate reduction without a loss of revenue, and I believe that to be the position with which this country is faced. I think we can get additional revenue for developing the natural resources of this country, not only without increasing the rate of taxation, but possibly even coupled with some slight reduction. In that connexion; the Labour Government in England gave us a very good lead by last year reducing the rate of income tax by Sh. 1. I am not suggesting any particular figure, but I think we would be well advised to study some possibilities in that direction which would give an enormous fillip to production and to the will to work right through this country.

Comparisons have been made between the rate of income tax in this country and in England in this report, and I wish to do no more than remind you that, as the hon. member for Nairobi South did yesterday, the comparisons are fairer if made between this country and other African territories, where the amenities are more on a par with the amenities in this country. So I think we are asked by

[Major Joyce]

Sir Wilfrid Woods to draw comparisons between issues which in fact are not comparable. I do not think there is any doubt at all that the European and all the non-native peoples of this country are prepared to accept a high rate of taxation by comparison with the pre-war level, but not necessarily by comparison with the existing rates. There is not one of us, I am sure, in this Council that wants in any way to cramp the rate of development which is envisaged in the report, which has not yet been discussed by this Council, but I wish to mention that for the reason that my hon. friend Archdeacon Beecher suggested, or I understand him to suggest, that a rejection of the Woods report implied a rejection of the Development Committee's report.

ARCHDEACON BEECHER: On a point of personal explanation, if any inference was to be drawn from my remarks at all it was that acceptance of the Woods report meant acceptance of the limiting figures in the Development Committee's report, not, as the hon. member for Ukamba has suggested, in a negative fashion.

MAJOR JOYCE: I should like to refer to one remark of Sir Wilfrid Woods when he states, in fact, that the rate of African development in this country hinges on what he refers to as the hard core of the taxation to be extracted from the non-native peoples. There must be a limit to the endurance of the non-native people in this country. Sir Wilfrid Woods himself, in his reference to African taxation, stresses the fact that unless you get willing taxpayers (I have myself never found one in this world!), but unless you get a population which is willing to pay tax it is not worth while trying to collect it. (Laughter.) I think that is rather a dangerous principle to embody in any report.

Referring to African taxation, I do not think that we can expect the co-operation of the Africans and those who are representing them in an attempt to make it somewhat more equitable, than it is at present. The general tendency of this report is that any change is unworkable; it will be too much trouble, it is not practicable, and so on. I think for that reason alone it would be difficult for any member of this Council to express

general agreement with a report of this nature. He is not even consistent in that respect. He more or less recommends that it is not possible to change the existing methods of taxing the African population. On the other hand, referring to taxation in Tanganyika, or it may be Uganda (I forget which) he himself expressed the view that a cattle tax is an equitable tax. Further, in referring to taxation in Tanganyika, if my memory serves me aright, he points out a case in which a Local Native Council or Local Native Authority in the Pare district has quite successfully established local rates on a graduated basis, according to the ability to pay. For that reason and others, I think we should find it very difficult to express our general agreement with the report as a whole. I should like at this point, however, to draw attention to the fact that we all recognize that there is some very useful factual information in this report, and, moreover, some very valuable advice is given.

I will now refer to the second proviso made by the hon. Financial Secretary, which he tied up with his intention to capture such a very high revenue, namely, that there should be no wasteful expenditure. I mention this now, because I am sure it will turn up in the budget debate, or I am afraid that possibly some member on the opposite side of Council will say to some member on this side of Council "You have not agreed generally with the Woods Report, therefore how can you quote this, that or the other part of it with which you agree?" There are points on which we are in agreement, and I would, if it is not considered irrelevant, like to quote one paragraph of his report in connexion with the question of the wasteful use of funds, because this is rather a contentious one. It is on page 80, paragraph 195, referring to development expenditure. He says: "I should like to observe at this point that so much depends upon obtaining sufficient ability and skill in the personnel which would be required for carrying out a development policy that it would be a mistake to push the need of husbanding sterling resources to the extent of doing without really skilled direction in all the spheres of development work." I should say that this is one economy in the use of sterling resources which the country cannot afford". In other words, it is going to pay

[Major Joyce]

this country to buy the best brains it can when spending the large sums which are foreshadowed on development.

The mover asked members on this side to express their opinions on some points he raised. I also agree with his suggestion about registration and exit permits. In regard to maintenance of spending power, I do not think my guess is likely to be any better than anybody else's, but I think one could well guess that for a period of one or even two years spending power may be maintained, but I think it quite impossible to say whether it will or not after that period because it depends on so many factors that we know nothing about. If we got large sums of money into this country, that would make a great difference, and so on, but I do not think that Sir Wilfrid was justified in making a five-year guess, whereas I think he might have been justified in stating a period of two years. On the subject of betting, I have not given it much thought, or even to lotteries. But while we are discussing local loans, I think some consideration might be given to the possibility of issuing premium bonds. Then the betting propensity of all races would have a proper outlet!

I feel that the general tendency through this report follows the lines that any change, however beneficial, is to be deprecated, and I therefore find myself unable to support the motion.

MR. NATHOO (Central Area): Your Excellency, it is with diffidence that I am on my feet for the first time, owing to the fear that I may make some faux pas, but, at the risk of being presumptuous, I must say that the hon. Financial Secretary has robbed this debate of all its sting from the outset by declaring that the motion was not going to be put to the vote. To my mind it seems that if he had kept that card up his sleeve and produced it at the last moment it might have given an incentive to members, particularly on this side, to delve more deeply into the report and criticize it in detail. As it is, since hon. members on this side are convinced that the motion is not going to be put to the vote, the only thing they can do is to touch on various subjects superficially and leave it at that, and that can be seen from the fact that the debate has already started to lag.

At the outset, I should like to say that the hon. member for Nairobi South has produced some income tax figures which reveal a true state of affairs, for they have given us the idea which section of the community controls wealth and the destiny of this country. As such, I think they are called on to pay the major portion of the tax, and I do not think they should quibble. In this respect it is generally from this side of Council that a hue and cry for more services, more development, more amenities, is always made, and now the time is coming to pay for these things I think it is but right that we should all pay and not grumble. At the same time, I think we must be struck by the fact that while some aspects of this report have been very strongly criticized, not a single constructive alternative suggestion has been made in the method of collecting revenue or making it a more equitable tax on the various communities, and in the absence of any such suggestions it must be held that the income tax rate is fair and that we must get on with the job.

There is one particular point about African taxation on which I must agree with the hon. member for African Interests, that the lower grade of income Africans is the most hard pressed, because, according to present taxation of indirect customs duties, an African earning about £1 a month pays the same tax in that indirect taxation as one earning ten times as much, and it was a pity that a person of the calibre of Sir Wilfrid Woods was unable to devise any means of distributing those taxes on Africans more equitably.

On the subject of loans, I entirely agree with the hon. member for Nairobi South that the lack of support for a local loan does not necessarily indicate lack of faith on the part of the investing public, but it shows that the people responsible for the loan have failed to appreciate local conditions and failed to give such terms as would induce the investing public to come forward and invest. I hope the lesson learned from past experience of the last loan will be such as will enable them to put such a loan on the market as will readily be taken up locally, and I think everyone will agree that to raise money locally is much better than to go abroad and do so.

[Mr. Nathoo]

There is one strong aspect of the report on which I think people who have a close experience of this country will differ from Sir Wilfrid Woods, and that is the capacity of this country to pay for the services which are estimated. With all due respect to him, I do not think that the capacity of the country is such that during the next few years they will be able to raise the revenue which is estimated to be raised, particularly with reference to customs duties which, according to the hon. member for Nairobi South, will be reduced in a year or two. I am certain that there will be a gradual fall in revenue and it is our duty to envisage those circumstances now, so that when the time comes it may not catch us unawares and crumple up a not too strong fiscal system of this country.

While I am on my feet I would request Government to see that when the social services are pushed forward, particularly educational and medical, the Indians receive a fair share of the development and progress. (Applause.)

MRS. WATKINS: Your Excellency, I rise to support everything that was said by the hon. member for Nairobi South and to oppose the acceptance of this report. The hon. mover, in his very eloquent speech, described it as a clear picture. I can only say that the picture to me has a very blurred outline, and I do not see how you can have a clear picture of a fiscal survey without knowing how many people there are in the country to tax, without knowing the national income, and without knowing the private income of more than a very small minority of the inhabitants of this colony through their returns. The only clear picture I can see is a clear picture of a muddle. We lost recently, we all know, 20,000 Asians—or rather the country smiled because, of course, we had not lost them, but merely the Government had awoken to the fact that their statistics were frightfully astray. That is only a bagatelle to what we have lost in Africans, I should say we may have to double the sum total of the African population, which is supposed to be 3½ millions based on the taxation figures, but when the statistics come out I should be prepared to pay a pound for every hundred thousand short of five million, if Government will pay me for every hundred thousand over five million.

I am not referring to it by way of repeating a platitude, but I am referring to it because it affects high taxation. High taxation is considered necessary because they are not sure that, even if the middle is cleared up, we shall be able to lower the taxation. This side of Council is fairly certain that, once the evasion is evaded and once we have got our statistics, then such high taxation will be completely unnecessary and that we can carry on with our services on a lower basis of taxation than that to which the hon. mover has already referred.

I should like to say straight off that I entirely agree with the hon. mover in his very constructive proposals for registration. I should like to carry it one step further, and call it finger print registration for the whole community. It is the only possible way of certain and speedy identification of our mixed population; not only of Africans. Those, of course, are first class suggestions and quite sensible. The hon. mover made, I think, one deduction which was not really quite true or correct. He said that if this country did not subscribe to its loans it showed that it had not much faith in the future of the country. It is not faith in the future of the country that we lack, but we are wondering—the older settlers who consider themselves to be the backbone of this country—are wondering how much more middle this country can survive, and that is where our lack of confidence comes in. It is not lack of confidence in the country, but it is in the middle and in the neglect of the agrarian situation that has been going on for years and in the neglect to rule which is still going on.

Another point on which I wish to cross swords with the hon. mover is when he raises that old bugbear (it is getting rather threadbare now, if a bugbear can!) of having to come into line with the other colonies, and therefore this high taxation must continue. Of course, we have got to come into line with the other territories, but I do submit that this bugbear of telling each one of us separately that we have got to do a certain thing so as to come into line with other people, so that we are all dragged into agreeing to a thing to which none of us separately want to agree, I hope will be more or less a useless weapon soon when the elected members of the Legislative Councils of all the three territories get together.

[Mr. Watkins]

I could not agree with the hon. member more than I do over betting, but that is certainly a personal matter—I am quite certain my constituents would not back me. I think it is a very good idea to tax the extra money that is floating round on the racecourses of the country. It has been said, I think, that it is not given to man to tax and to please any more than it is to govern and be wise; I think that is true. I also agree with the hon. member for Ukamba when he said that a tremendous filip would be given if just a small amount was taken off the income tax in this country, because it is almost a matter of principle. We were promised in this Council on two separate occasions that the high taxation was a war measure. Legally the war comes to an end this year, and morally the taxation should also come to an end, and even if we wish to continue it I think there should be some acknowledgment of that moral obligation, which was given to the whole country, not only to this Council, that the taxation was a war measure and should be continued for that purpose. I am quite convinced that on the matter of income tax we can get the whole country behind us if there was a small reduction and if, as the hon. Member for Nairobi South has said, we budget for a deficit this time, which may encourage the Government to clear up on the statistical side and on the evasion side some of these unknown quantities on which we are at present resting our rates of taxation. Of course, I am not quite sure how the hon. and venerable member for Native Interests found that Sh. 6 a head was the allowance for native social welfare and so forth, when he does not know how many heads he has got.

ACTING CHIEF DEPUTY: On a point of explanation, I did not say Sh. 6; I said something in the region of Sh. 6.

Mrs. Watkins: Sh. 6 per capita, I think you said. I thought that meant per head—I am so sorry! (Laughter.) In any case, it seems to me a very difficult calculation to make when you have not any idea of the number of heads. It is on the statistical side that I find myself, as an ordinary layman, puzzled, just as accounts, if I do not know the foundation of my accounts I cannot keep them. I do suggest that the Statistical Department is almost as important as the

Income Tax Department. If we can once get down to that we may find that high taxation is not necessary. It is on that basis that I want to oppose this motion.

Mr. Vasey (Nairobi South): Your Excellency, if my hon. friend the Commissioner for Lands and Mines sends a surveyor out to tackle some particular problem, he sends him out as a rule to clear land or sends him out to chart a piece of land equipped with scientific instruments, and knows that when his man returns he will have a scientific survey giving accurate data and accurate information. But I feel that Sir Wilfrid Woods was not sent out to survey the fiscal position of this colony as the Commissioner of Lands and Mines would have sent one of his men out with scientific equipment to chart a piece of land. He was sent out rather into a dark and grim forest with plenty of trees, and without even a theodolite. I have a suspicion that the only reason he succeeded in getting through to the other end of that forest is because the hon. Financial Secretary stretched out a helping hand at times and guided him past the trees or persuaded Sir Wilfrid that those trees were not really an obstruction, not blocks to one's vision, but the phantasmagoria which comes from a disordered mind due to staying in Kenya for a period of eight months!

That suspicion is founded to some extent on the letter of appointment and the difference in the terms of reference, for in the letter of appointment Sir Wilfrid Woods said he was asked "to conduct an inquiry into the taxation system of those territories 'in relation on the one hand to the existing commitments of the Governments with regard to expenditure and their needs for development purposes and on the other hand to the probable availability of funds to meet expenditure of all sorts, whether from revenue or other sources'". When we come to the actual terms of reference it is somewhat significant, perhaps, that all reference to expenditure which had been made in the letter of appointment disappears, and the terms of reference came down to a "review of the system, distribution, and incidence of existing taxation."

Though Sir Wilfrid Woods took the terms of reference, the whole of this report shows that he never forgot the sentence in the letter of appointment. In

[Mr. Vasey]

paragraph 2 of Part I he makes the following statement: "At present it is impossible to obtain any idea of the total national income or spending power of any of the three territories". He goes on: "It is, however, only upon the foundation of such a calculation that location of the burdens of taxation can even be attempted". Now, if that statement is a statement of fact, and it is, I feel that at that particular moment Sir Wilfrid Woods should have changed the title of his book from "A fiscal survey" to "A fiscal review based on the post-war years plus some prophecies based on the foundation of Old Moore's Almanac", because from that time on I contend that the great majority of the estimates are fallacious.

In paragraph 182, page 77, of this report, we have an extract which he quotes from "An African Survey", that "in any year before 1936 it must be doubtful whether, even with a substantial inflow of investment income from abroad, the balance of trade was satisfactory except with the support of continuous capital investment". He goes on in paragraph 183: "Since that conclusion was reached the second world war has introduced special factors, some of them temporary, which for the time being at least have completely changed the picture".

Now, we all know that the second world war brought one particular factor to Kenya and the East African territories as a whole. It was the flow of continuous capital investment by the military. Sir Wilfrid must have been very conscious of that fact, for tucked away in the middle of the next paragraph there is the significant phrase "The result of my consideration is, therefore, necessarily inconclusive". How can we seriously expect to base the fiscal policy of the next few years upon a report in which a man of the calibre of Sir Wilfrid Woods has to make a statement of that kind?

In paragraph 86, too, dealing with excise duties, he says: "I do not feel that even with the addition of the wartime increases any of the excise duties could be described as oppressive". I am not going to quarrel with or confirm that part of the statement. He says "nor can it be said that the duties themselves have had an adverse effect on consumption". Well, as he states later in the paragraph,

we know that the increased population, particularly the European population of Kenya through the influx of the military, was a contributing factor to the maintenance of an increase of the rate of consumption, and it is impossible for Sir Wilfrid Woods, as it is impossible for any of us, to say that the excise duties had no adverse effect on consumption, because there are unfortunately no statistics upon which we can base an opinion either way.

There have been several remarks from both sides on the question of the level of high taxation. I think that sometimes, perhaps, in these debates we are apt to lose sight of fundamentals. It is not a question of the height of taxation as taxation, it is the proportion of taxation borne by any individual or any group that may become excessive, and if we turn to paragraph 142 Sir Wilfrid Woods makes the following statement, on the top of page 60: "I consider that the burden on income tax payers as a whole is not now excessive and can be maintained at substantially its present weight, by which I mean that the proportion of all total profits and earnings appropriated by the State in the form of income tax is not excessive". I am not prepared to accept or confirm that it is not excessive. He then goes on to say: "If the proportion remains constant the amount appropriated will, of course, go up and down with the amount of the profits".

Let us just do an ordinary simple arithmetical sum. If I have £500 a year and I pay 25 per cent in income tax I am left with £375 on which I may be able to maintain myself and my family. But if my income is reduced to £400 and the proportion that is deducted from me is still 25 per cent I am left with £300 on which I may not be able to maintain my family. So that while Sir Wilfrid Woods may be right or he may be wrong in his present contention that the proportion to-day is not excessive, that does not of necessity say that, should there be a fall in the income of the country, whether it be company income or private income, the proportion as at present will not prove to be too excessive in the future. I am worried about this from one particular point of view.

At the top of one of the pages, I think paragraph 117, Sir Wilfrid quoted

[Mr. Vasey] evidence that has been received, and says, referring to people who have given him evidence, "They think the weight of the tax at the crucial point in the economic structure is what matters, rather than its principles." That is my feeling in the matter and I feel sure it must be the feeling of anybody with an elementary knowledge of economics—"the weight of the tax at the crucial point in the economic structure is what matters rather than its principles". It is possible to say, perhaps, particularly in regard to company tax, that at the present moment the weight, the proportion, is not excessive, but we must bear in mind that we have not got a very stable economic structure, we have not got that marvellous power of quick recovery that it enjoyed in Great Britain. We are young and our commercial structure is also very young, and at present very unstable.

I spoke in the budget debate last year asking Government to create an equalization fund, not to be used for development purposes but for the direct purpose of equalizing taxation over a period of years. That was a suggestion so that should Government find itself in need of money during a time of depression, it would have a reserve or, alternatively, should it be necessary or, alternatively, should the taxpayers it could be done without Government having to retrench drastically and cut its expenditure beyond the bounds of wisdom. Exactly the same point must stand with regard to companies. Somewhere in his report Sir Wilfrid Woods deals with the necessity for the growth of private capital, and any company, and any individual, that conserves his capital and makes it grow is in fact serving this colony well, because he is enabling himself, and by enabling himself is enabling the economic structure of the country, to weather any storm that may lie ahead. If you regard this problem only from the point of view whether the proportion of income you are taking is not excessive without having regard to the necessity for the growth of private capital, then I believe you are basing your fiscal policy on very dangerous principles and on dangerous lines.

It is "the weight at the crucial point in the economic structure" that matters, and I would like at this particular point

to draw attention to paragraph 6 on page 3, in which Sir Wilfrid Woods deals with the "Special importance of the non-native as a taxpayer in East Africa". He says: "Nothing must be done which will destroy this essential function of the non-native element of the populations of East Africa. This means that taxation must leave to the non-native enterprise sufficient of its profits to satisfy that element of self-interest without which inducement to effort would lack reality". I would have added to that sentence a sentence that Sir Wilfrid has later in his report, that it "would leave to non-native enterprise sufficient profits to satisfy that element of self-interest and to enable the growth of private capital so that the commercial, agricultural and economic structure of the country on which our revenue depends will be able in the days to come to weather the storm should that storm arise".

In paragraph 151 Sir Wilfrid Woods, dealing with the question of allowances, suggests that "the United Kingdom system of relief should be adopted, with such modifications as East African conditions require". Here I would throw out a suggestion that might ease the burden to some extent on certain groups of taxpayers. That is, that over and above the children's allowance, if maintained at its present standard, Government should make a further educational allowance based on the cost of education, and that taxpayers claiming that allowance should be compelled to submit figures showing the cost of education. When that educational allowance is fixed, then the ordinary children's allowance could be deducted from it.

Paragraph 152 again shows the uncertainty which pervades the whole of this report, for Sir Wilfrid Woods says: "Not much guidance as to future yields can be expected from past collections". I think that shows the value of the estimate of one million pounds from income tax purposes.

Dealing with the protection of East African industries, which comes in paragraph 97, Sir Wilfrid Woods says: "Secondly, the tariff has been so designed that raw materials and other requirements of local industry are admitted free of duty, or at less than standard rates". I think there must be some misapprehension there. I think it should have

[Mr. Vasey] been, perhaps, "certain raw materials," because I am a director of a firm which produces shoes in this country, and out of curiosity I asked my people to give me the figures to see what would happen were this industry to be allowed to import raw materials for the production of rubber plimsolls free of charge. Those figures show that were materials allowed in free of charge there would be a considerable reduction in the price of those rubber plimsolls, probably something in the nature of Sh. 2 per pair. In Southern Rhodesia where, recognizing the value of commerce to the taxation system in the economic structure, they have done everything they can to encourage commerce and industry, you can—and I speak because we have a branch factory there—import your materials free of charge, with the result that the price of shoes at our factory in Southern Rhodesia is lower than the price of shoes produced at our factory in Nairobi, and when one competes in the export market one can immediately see the effect of it.

I have made representations to the Economic and Commercial Adviser to Government about this matter before, and I think I did refer to it slightly in the last budget debate. I cannot agree with Sir Wilfrid Woods' final contention that there is no need to elaborate and extend the list to any extent, which he says at the end of paragraph 101.

Sir Wilfrid has rather glossed over the commercial and industrial side of this issue. It is correct to say that what we have at the present moment 'very little' in the way of industry that can contribute to our economic structure. It is all the more important, therefore, if we are to have a balanced economy that what little we have should be developed and encouraged to the greatest degree, not, I suggest, by protected tariffs, but by freedom from import duties and things of that kind; but more than anything else, and I repeat the suggestion I made in my last year's budget speech, that the time has now come when there should be a Member for Commerce and Industry on the front bench of the Government side of the Council. Agriculture is so terrifyingly the base of our economy. It is of necessity one of the lower paid occupations of the world, particularly as far as labour is concerned of necessity, and anything that

we can do, therefore, to increase the small industrial possibilities in front of us I feel will be of great benefit to the economy of this country and to the stability of the future.

In paragraphs 213 and 214 Sir Wilfrid Woods deals with African taxation. I am disappointed at what he says. I believe that some effort must be made to draw taxation from the African, though I would strongly stress only in regard to his capacity to pay. We do not know his capacity to pay, we have no figures, we have no proof, but I feel that in the interests of the African himself the time must come when he can throw back into the faces of anyone who says it the statement that these services are given to him and that other people pay for them. He must be placed in the position where, even if it costs more to collect than is brought in, where he can say "I am paying my fair share in accordance with my capacity to pay." (Hear, hear.) There is not that assurance to-day. The Hon. member Archdeacon Beecher quoted figures of Local Native Councils. To counter that we can bring in municipal authorities like Nairobi, where the whole burden very nearly of African welfare is borne by the European and Indian population.

I am as anxious as anyone to see African welfare services developed, but it is difficult when one is continually met with the argument that these things are given to the African and that he is not contributing. I have discussed with the hon. Chief Native Commissioner the question of drawing from the Central Native Fund money so that the argument could be met, and it is in the interests of the African himself that there should be imposed a system of direct taxation based on his capacity to pay, with which there can be no argument. If one takes the list of indirect taxation from page 36 of Sir Wilfrid Woods' report, does that convince you that indirect taxation is really being drawn to a large extent from the African? Let us look at the list: wines, spirits, cigarettes, tobacco (manufactured and unmanufactured), motor spirit, kerosene, art silk, cotton piece goods, cotton blankets and other articles. Cotton blankets contribute £25,000; cotton piece goods an estimated return of £210,000; out of a total estimated annual revenue of £2,042,000 and

[Mr. Vasey] against a wise and spirital return of £600,000. I hope the hon. members who represent African interests will understand why I am saying this. I am not saying it because I believe an unfair burden should be imposed, but I am saying it because unless we can find some means of answering this argument, even such things as African education and African welfare, which are as dear to my heart as to the heart of anybody in this Council, will be included in the argument from time to time.

Page 151—I am moving steadily to the conclusion of this speech!—page 151 (1), chapters V and VI—Kenya. Sir Wilfrid Woods says: "In the absence of the statistical information required for a theoretical estimate of Kenya's taxable capacity I have attempted to gauge the volume of unavoidable expenditure." Well, sir, I am puzzled: "In the absence of statistical information for a theoretical estimate of Kenya's taxable capacity I have attempted to gauge the volume of unavoidable expenditure." Perhaps someone on the Government side of the Council can tell me what Sir Wilfrid was really getting at when he said that from an estimate of taxable capacity he wanted to gauge the unavoidable expenditure. Had Sir Wilfrid Woods been empowered to go into the policy of expenditure and at the end of his investigation had stated what was the unavoidable expenditure, I think this report would have had far more weight. I feel perfectly sure that in his charming manner the hon. Financial Secretary will be able to provide some answer to that very perplexing statement, but I feel that it will need most of his Irish wit to get Sir Wilfrid out of that particularly awkward statement.

Page 146—Some General Considerations—Sir Wilfrid Woods ends that section by saying: "Attempts to estimate the collective burden of taxation on a racial basis are not likely to serve any useful purpose." He then goes on in the very next paragraph to say: "The importance to African development of the non-native element in East Africa can scarcely be exaggerated. While it is the duty of the State to exact contributions to revenue according to the individual's ability to pay, the danger of over-taxing the non-native in East Africa must not

be lost sight of. . . If Sir Wilfrid Woods is going to say, and I think we agree with him, that the burden on the non-native must not be brought up to a point where it destroys incentive or prevents the accumulation of private capital, if you are going to say that, then you must estimate the collective burden of taxation on a racial basis, because unless you estimate on a racial basis you cannot tell what proportion is really pressing on the non-native taxpayers. I suggest that there needs to be some clarification of that particular point.

Paragraph 11 makes this statement: "The rate of progress which it is practicable to make will necessarily be determined by the taxable capacity which planning, operating under the influence of many uncontrollable circumstances, can induce. It is a sound instinct, however, which fears that over-optimistic expectation of increased revenue may lead to expansion of expenditure involving violent retrenchment or excessive taxation or both at the worst possible time for such measures, i.e. on the appearance of an economic blizzard. The past history of East Africa fully justifies this anxiety at a time of transition." We are, I think everyone will agree, in a time of transition, but the important statement there is in the first part of it—"The rate of progress which it is practicable to make will necessarily be determined by the taxable capacity which planning, operating under the influence of many uncontrollable circumstances, can induce". Inherent in that planning is the growth, I contend, of private capital as a necessity for weathering the storm. I suggest that our taxation must be based not only on capacity to pay, but leaving power to conserve, so that our unofficial economic structure can survive.

In conclusion I would say this. I congratulate the hon. mover on the speech he made. I think he was as uncomfortable, perhaps, about certain passages in this report as anybody else in this Council, and I feel that it is because of that he would not press it to a division. I am glad Government is not going to press it to a division, because I consider it contains many statements, many theories, and many principles which, if adopted, might tie Government's hands in the years to come. I am glad, it is not being pressed to a division, because

[Mr. Massey]

I, personally, would find myself unable to vote for the great majority of this fiscal review which has been placed before the Council.

I would say, in conclusion, that in my opinion to build on this report our fiscal policy for the next five years would not be building quite a castle in the air, but it would be building a construction of concrete liable to crack, because it is based on the shifting sands of incomplete figures, inaccurate statistics and fallacious assumptions. Therefore, I could not, possibly vote for the motion. (Applause.)

MR. COOKE: Your Excellency, I should like to join with the hon. member Mr. Nathoo in his remarks about it being a pity that the hon. Financial Secretary showed his hand so soon, and I would even go further and say that I think it is to be deprecated that he showed his hand at all. The hon. gentleman must surely have known that this report would be criticized. In choosing to move the motion, he should have determined that Government would go through with it. If he was in any doubt, as of course he was, he should have moved a motion such as one to express the appreciation of this Council of the valuable work Sir Wilfrid Woods had done, or words to that effect. But what he has done now is throughout the country to invite opposition, and to stimulate obstruction. (Laughter.) I was quite prepared for the kind of laughter that shows the vacant mind of certain members behind. (Laughter.) I am going to be a bit more provocative than I have been so far. To do that in any country is, I think, deplorable, but to do it in a country of plural society, as this is, is dangerous.

I will not mention the reason that it is dangerous, because that must be obvious to everybody in this Council. No one admires more than I the eloquence and the wit of my hon. friend, but I do sometimes have a shrewd suspicion that, behind that pleasant facade there lurks a sort of forcible feebleness which displays itself in what we commonly call bluff. I think it is a pity, if the hon. gentlemen will allow me to say so, as a much older man than himself, as one who started with extreme courage and downrightiness in his office, that he

should now be displaying a certain amount of vacillation. Perhaps it might be unfair to quote that little rhyme, but I will quote it in order to give him a warning. I think it was uttered of Lord Balfour:—

"In going through life I continually find it's a terrible business to make up one's mind; So it's always the best, in political fray, To take up the line of the Vicar of Bray."

In common with most people I dislike taxation, but I must say that no argument has been put forward by any member on this side of Council, with the possible exception of the last speaker (Mr. Vasey), as to how we are going to avoid it. When I say taxation, I mean taxation as envisaged by Sir Wilfrid Woods. We are continually asking for more services, and in the next breath we cry out about the money that is being expended. At the present moment we hear from a high Government authority the fact that our land has lost about 50 per cent of its fertility. If we go on on these lines, without taking the most urgent and stern measures, it will not be very long before the land has lost a good proportion of that 50 per cent. It is no use arguing that point, because it is a point with which we are all in complete agreement. If we are all in agreement on that, we must look for some solution; and I think that the solution is hinted at in the report of Sir Wilfrid Woods and in that admirable report of the Development Committee. In mentioning the report of the Development Committee I would just make this remark, that I cannot see how anyone, and especially my hon. friend the member for Ukamba, who is a signatory to the report, can support the suggestions in the Development Committee report and at the same time justify the proposals of Sir Wilfrid Woods, because Sir Wilfrid has strongly emphasized in paragraph 193 of his report, the necessity of carrying out the development programme. We cannot have it both ways.

MAJOR JOYCE: Your Excellency, on a point of explanation, I do not think I made the statement inferred by the hon. member for the Coast. If he would be more specific . . .

MR. COOKE: I know the hon. gentleman did not envisage a large reduction in taxation, but envisaged a small reduction of the taxation laid down by Sir Wilfrid Woods. But that seems to me, if I may use the word, rather a quibble, because a small reduction would make so little difference as to be hardly worth arguing about. I think we have got to take both these reports as a whole, or not take them at all. I consider—contrary to a lot of members on this side of Council (I might say all European members on this side)—that the report is fair-minded and it is factual, and it is founded on documentary evidence, and with all due deference to my hon. friend the member for Kiambu, it is clear. It is clear in conjunction with the facts that were before him. He has himself quite frankly admitted that he was not in possession of exhaustive statistical data; and I may say that the reason he was not in possession of all statistical data is very largely due to the predecessors of hon. members on this side of Council who so strongly urged Government some years ago to cut down its expenditure, and that expenditure, of course, included the office which was responsible for producing this data.

I listened to my hon. friend the member for Nairobi South very carefully and I thought, as he came towards the climax of his speech, that he was going to produce some really good, solid, constructive suggestion—but the mountain laboured and produced what I regard as a complete monstrosity. He had—I will not say the impertinence—but he had the temerity to suggest that we should depend on arrears of taxation and that we should budget for a two years' deficit! Well, the hon. gentleman is a business man—I am not—and I will not argue any further on that point, but one matter I must take up with the hon. gentleman.

I am assuming that he was in non-jocular vein when he said there should be state lotteries. The hon. gentleman seems to have nodded or indicated assent. Well, I agree with the hon. member Archdeacon Beecher in saying that I think that is a very deplorable suggestion. If really means, if it came into effect, taking money from the poorer classes of the community, or, at any rate, putting them into that temptation, and

absolving the richer. He has quoted the country to which the hon. Financial Secretary and myself have the honour to belong, but I think that is one of the most unfortunate things that the Irish Free State has ever done. (Laughter.) I reckoned that remark would excite hilarity. (Laughter.) I think if the hon. gentleman had built his ideals more on what has been done in Great Britain, he would have been on surer ground, because of course, we know that in Great Britain they have sternly and steadfastly set their faces against state lotteries. The hon. gentleman said that any objection applied equally to a private lottery, but I do not think there can be any true analogy at all. The one is left to individuals and the public lottery has to have the sanction of the State, and the State should be very careful what sanction it does give.

With regard to the Development Committee, the most urgent problem, as emphasized by Sir Wilfrid Woods, is that of the agrarian policy. If we fall in it seems to me we fail in everything; and we may as well leave this country to the termites and the tsetse fly. We hear so often about war-time taxation and that we must take it off because the war has ended, but the war has not ended so far as we are concerned. In fact, the war has only just begun; and so far as this country is concerned, it is just as stern a war as we waged against the Germans. We have to mobilize every force at our command and we have to call upon every race to stave off the terrible disaster which will come upon us if our soil and water assets are lost. It would be no use then saying that we have a big Treasury balance, and that so-and-so has a good bank balance, because it would mean nothing in a country which is denuded of its real wealth—the soil. One of the reasons why I give the report my support is because Sir Wilfrid Woods has recognized that fact.

I am a little disappointed, if I may say so, that you, sir, and Mr. Creagh Jones have in various tours merely told the Africans to be good boys and that they should take his view or that view. Very often it has not been put strongly, especially by Mr. Creagh Jones; and the only result will be that the African mind that they will think we are not really in earnest. What we want and what we must

[Mr. Cooke] demand, for the sake of the African himself, is action and no further beating about the bush. I say that the greatest disservice to the African to-day is to neglect these tremendous problems of land and water conservation. I am not going to say anything more on that subject at the moment, because I intend to bring up a motion when the hon. Member for Agriculture returns. But I would say this, that, whereas all the blame now is placed on the shoulders of people like my hon. friend the Chief Native Commissioner and the Provincial Commissioners, the real responsibility lies with and must be taken by the Member for Agriculture, and if drastic measures are not taken in the future he certainly is the man whom I would attack.

I am not going to keep the Council any longer, but I would say that I regard this report as an indication that Sir Wilfrid Woods thinks this country is at any rate in a safe position for the next five years, and those are the critical years. I regard this report really as an audit. He has put his hands on what he considers our problems and he has felt the pulse, so far, as he can, of the country, and says in no unmistakable terms that he thinks we will be safe to take what some people call the risks ahead. I therefore hope that you, sir, and Government, having received this signal that the line is clear, will have no hesitation in going full steam ahead.

Sir, I support the motion.

COLONEL MODERA (Mombasa): Your Excellency, I had not intended to intervene in this debate, more particularly because my views have been adequately expressed by other hon. members, particularly the hon. member for Nairobi South and the hon. member for Nairobi North, but the hon. member for the Coast has given me an opportunity to intervene, and has encouraged me to express views on one matter; and perhaps one matter only.

I was indeed intrigued when I heard all from the lips of the hon. Financial Secretary the suggestion that betting should be taxed, and I was wondering whether the recognition of gambling by him might not shock, perhaps, his colleague the hon. Attorney General and

the hon. member Archdeacon Beecher. The hon. member for Nairobi South referred to lotteries, and that has apparently incensed by hon. friend the member for the Coast. I am going to go a stage further in my suggestion. In this matter of gambling the Britisher has, if I may say so, for centuries past been nothing more nor less than a sanctionious humbug. We throw up our hands in horror at the word gambling, and yet we indulge in it every street corner throughout the Empire. I am going to suggest, and suggest with all seriousness, that there is another matter which might be explored.

We are told, and we believe, that the future of this Colony may be very largely dependent upon tourist traffic, and of that theme my hon. friend, for whom I am deputising and who will be back among us in the course of a week or so, is a great protagonist. I suggest that we should consider the possibility of a casino (laughter), a casino at Mombasa; possibly a casino in Nairobi, and possibly elsewhere. (Sir Alfred Vincent Hear, hear!) (Laughter.) I am sorry that the hon. member for Nairobi South has laughed. These casinos should prove a very great financial attraction (A member: Hear, hear!) to the hon. Financial Secretary and also for both gaiety and gambling. (Laughter.)

As I have risen to my feet for what perhaps I may call my swan song, I would like to add, in conclusion, that I am unable to support the adoption of a report which contains in its first three lines an admission that the information required to enable the author adequately and accurately to expound his estimates and judgments does not, in fact, exist. (Hear, hear.)

MR. TRENCH (Rift Valley): Your Excellency, I rise to speak to this Council with a mind that has just come back from a lapse of vacancy. (Laughter.) That does no harm at all when a distorted mind gets up on its hind legs and approaches a subject from a most peculiar angle. I defy anybody to know at what angle such a distorted mind might well take a subject. The hon. member has time and again heard himself being congratulated on making his speech, but if we turn up, in his kipande and look at his country of origin I do not think it is any compliment at all—it

[Mr. Trench].

is what we expect, and I am not going to suggest that one day he makes a good speech and on another a bad one. He always makes a good one.

I am going to be perfectly blunt in what I am going to say. To my mind, for the last two years I have been in this Council, there has been far too much soft peddling over racialism and certain things that crop up inevitably between the communities of this country. We hear it among the races, it is published in the papers, but we are always told in this Council "You must not refer to racialism". I think it has got to an absurd state of affairs. Previous speakers on this side have, I think, put the case against the adoption of this report extremely ably, and I have very little to add to what they have said, but there are just these two points I wish to make in support of the European community of this country, and I think it is high time that this Government was fully aware of the trend of feeling of that community.

The hon. member for Nairobi South produced official income tax figures for the last four years that has been paid by the three communities in this country. To my mind they are absolutely staggering. The European community between income tax and excess profits tax have paid nearly eight million pounds, or have been assessed at nearly eight million pounds; the Asian community of this country have been assessed at approximately £800,000, or 10 per cent of the total; the African community; nil. The European community, I think, have got themselves into the position where Sir Wilfrid Woods very rightly said they are the economic backbone of this country, and as time goes on as they pay the piper so they have the right to call the tune, and those people, such as the Asian community—who have only so far in the last four years contributed to the extent of ten per cent of the total direct taxation in the form of income tax and excess profits tax—have little or no claim at all to call the tune in future unless they do something about it.

I am delighted to hear the hon. member stress in his uncertain manner that the Income Tax Department were determined, no matter what community it was, to do everything possible to see that evasion did not continue as it has

in the past. I cannot understand this position of only 10 per cent being paid by what is in fact the biggest trading community in this country. Either they do not understand how to keep books, or, if they do understand how to keep books, they probably do not know which is the debit and credit side. (laughter) and how to make a proper entry. I do hope also that will be part of the duty of the Income Tax Department to educate these people who do not understand that sort of thing so that they will in future make the correct entries.

As far as the African is concerned, we all know he is a pleasant fellow, and I entirely agree with what the hon. member Archdeacon Beecher said in this respect. But, say what you like, he is idle, he is indolent, he is prepared to be spoon fed—it is not his fault altogether, but nevertheless he is. I suggest that he is not as poor as the hon. member Archdeacon Beecher would have us suppose. There is great latent wealth in the African to-day if he would do an honest day's work. He does not do an honest day's work, because for the last 20 or 25 years we have never had a Government that is worth its salt and has governed, and I have yet to see, with the greatest respect to you, sir, that this Government is prepared to govern.

There are many Africans who, I suggest, are in the income tax paying class. Only to-day I went to a certain motor firm in this country and I was told that out of 400 permits issued for Licjris 250 were for Africans. Well, I suggest that that is only a slight indication that there is a considerable amount of taxable wealth.

I have very little more to say about this report, but I believe it is the duty of every community in this country, if they wish to make it the home of their adoption and not to become parasitical, to pay their part and contribute to the revenue of this country.

This report contains some very objectionable statements, and for that reason I must oppose the adoption of this motion.

The debate was adjourned.

ADJOURNMENT

Council adjourned till 10 a.m. on Thursday, 26th September, 1946.

Thursday, 26th September, 1946

Council assembled in the Memorial Hall, Nairobi, at 10 a.m. on Thursday, 26th September, 1946, His Excellency the Governor (Sir P. E. Mitchell, K.C.M.G.; M.C.) presiding.

His Excellency opened the Council with prayer.

MINUTES

The minutes of the meeting of Wednesday, 25th September, 1946, were confirmed.

ORAL ANSWERS TO QUESTIONS

No. 52—ILLEGAL MEETINGS

MR. MATHU:

Is it a fact that a purposeful meeting held by more than three Africans in Kenya is illegal?

ATTORNEY GENERAL (Mr. Foster Sutton): The hon. member is referred to section 76 of the Penal Code.

This section applies to persons of all races.

No. 53—REQUISITIONING OF AFRICAN LIVE STOCK

MR. MATHU:

Is Government aware that there is discontent among African live stock owners owing to the continuation of compulsory requisitioning of African live stock by Government after the war is over?

If the reply is in the affirmative, will Government please remove the application of the Compulsory Requisitioning of African Live Stock Regulations without further delay?

ACTING DIRECTOR OF VETERINARY SERVICES (Mr. Hudson): The Government is aware of discontent among African live stock owners owing to the continuation of compulsory requisitioning of African slaughter stock.

The present system of obtaining slaughter stock in the native areas will come to an end on 31st December, 1946. In this connexion the hon. member's attention is drawn to a communique which appeared in the *East African Standard* on 17th July, 1946, and in *Baraza and Fama*.

STANDING FINANCE COMMITTEE REPORT ON SCHEDULE OF ADDITIONAL PROVISION No. 1 OF 1946

MR. TROUBERTON: Your Excellency, I beg to move that the Standing Finance Committee report on Schedule of Additional Provision No. 1 of 1946 be adopted.

MR. FOSTER SUTTON seconded.

The question was put and carried.

FISCAL SURVEY OF EAST AFRICA

SIR WILFRID WOODS' REPORT

The debate was resumed.

MR. FATEL (Eastern Area): Your Excellency, I congratulate the hon. member on the able way in which he introduced the motion before this Council. I must at the outset say that, though Sir Wilfrid Woods was greatly handicapped on account of the lack of statistics, he has given us a very clear picture of the revenue position of this country. If we honestly and sincerely desire that all the post-war plans should be carried out, then we must support the existing taxation, and whether that taxation is styled high level taxation or sufficient taxation or necessary taxation, call it by whatever name, I believe it is necessary to support it.

I would at the beginning like to say one thing, which has been mentioned by several speakers, and that is in regard to evasion of tax. I personally would say that all possible steps must be taken to suppress any form of evasion of taxation in this country. (Hear, hear.) I would say that it is quite obvious that there is to a certain extent evasion of taxation, but I am not prepared to believe that the evasion is to the extent that has been made out in some quarters. I personally would say that the evasion of the tax collected in this country is not more than what we generally find in all other parts of the world. But that does not justify evasion and all steps must be taken to hunt down these tax dodgers.

At the same time I would like to mention that merely a theory of evasion of taxation does not explain the big difference between the tax paid by the Europeans and the Asians—namely, £2 million, and £800,000. It may explain the difference to a small extent, but not more

(Mr. Patel) than that. I explained in this Council that the reasons why the Asian contribution cannot be much higher. At that time I gave certain figures, and I do not want to take up the time of Council by repeating them. In the case of the overwhelming majority of the Asian population their incomes are not more than £20 per month and, as has been stated many times in this Council, with a wife and children, all at a fairly early age and a good many of them, their allowances bring them outside the scope of payment of income tax. It was at that time that figures were given by the hon. Financial Secretary of the income tax paid by European and Asian civil servants. I cannot remember the exact figures, but I think the European tax amounted to £50,000 and the Asian to only £20. There could be no evasion there, and the figures speak a lot.

At that time also it was admitted by the Financial Secretary that it was quite clear that the wealth of this country was mostly in the hands of the European community. I should like to read one paragraph in this report, on page 37, paragraph 13b: "The evidence on which it is widely believed that evasion is taking place is not such as it is possible to test by any available statistical method. It consists, in fact, of numerous statements by quite responsible persons to the effect that unspecified individuals are known to be making or to have made large profits in trade or to have made large purchases of various kinds or to have accumulated large sums in currency notes of higher denominations or to have remitted large sums, otherwise than through the banks, to persons outside East Africa or to be spending sums which indicate an income above the income tax level. It would be unfair, of course, to base on such evidence as this any assumption that the classes of persons to which the suspicion has been attached have lower standards of honesty and sense of duty than Europeans in similar circumstances. It is the case, however, that the circumstances in which Europeans earn their incomes or profits are often entirely different from those in which traders of certain other races earn theirs and there is an inherent probability that there is some evasion where it

is suspected. I could not hazard a guess as to what it means in terms of lost revenue. It is probably considerable, but I doubt if it is so large as to affect very seriously the total sum derived from income tax."

The members on this side of Council attack this report because some of the conclusions and recommendations have been based on insufficient information, as they say, but they should realize that the attacks made time after time in this Council against the Asian community are also based on insufficient data, and from the floor of this Council I demand very seriously a commission of inquiry to go into the whole affair and give an opportunity to the Asian community to put forward before that commission figures of the various activities carried on in this country by the European and Asian communities, and of the average wealth per head of each member of the Asian and European communities. I demand very seriously this inquiry, because otherwise there will be no end to these allegations and insinuations made time after time in this Council, in my humble opinion, in a very exaggerated form. Further, I should also like the hon. Financial Secretary to tell me what is the capital of European companies operating in this country and what is the capital of Indian companies operating in this country. That will also give some idea of the large amount of capital with which the European companies are operating and the small amount of capital with which the Indian companies are operating.

At the same time I would say this, that I am prepared to support any reasonable and necessary step to see that the revenue of this country is collected in a fair manner and without evasion, and for that purpose, if it is found necessary that we should have an identity certificate and also an exit permit I, personally, would support it wholeheartedly. (Hear, hear.) I know that an identity certificate is not necessary only for financial reasons, but it is necessary also for other reasons, and I am personally inclined to think that in this country we will have to face that issue and apply that certificate to all races. I am also prepared to support any necessary steps which the hon. Financial Secretary and the Government may think necessary to

(Mr. Patel) collect tax from every person whose duty it is to pay. At the same time I want to repeat again that I request Government to appoint a commission to find out what is the wealth possessed by Europeans and also by Asians, so that the world may learn sooner that the wealth of the country is possessed mostly by the European population. (Laughter.) I think that the time has come when efforts should be made to see that these people do not monopolize the income in this country, and the levelling and reducing processes between various classes which are being applied in the older countries should be applied to the Kenya Highlands.

Reference was made to native taxation. I know that some people cast greedy eyes on the small incomes the Africans are making, and they desire that these Africans should be made to pay more than they are paying today. I personally believe that in the long run it will be a short sighted policy. Efforts should be made to raise the standard of living of the African the moment he begins to earn more than the average wage. That will mean high indirect taxation to the country and will also raise the standard of living of the African. I personally agree with the remarks made on page 11 by Sir Wilfrid Woods, which starts from the last sentence on page 10: "A shift of taxation which would increase the poor man's percentage of tax (or alternatively force him to do without part of the small quantity of consumer goods he is now able to buy) would require a very strong justification. I cannot think that modern opinion would endorse the view that tax at the lowest income levels could properly be made more 'regressive' than it is now in order to encourage the accumulation of capital in the hands of the primary producer by relieving him of the whole or part of the income tax he is now paying on his profits, important though such accumulation admittedly is."

I think that the modern conception of the taxation system in other countries will not forgive us if we try to increase the burden on the African at his present level of income.

The hon. Member for Nairobi North remarked that we are always giving services to the African. Even if that is so, which I do not agree, after all the

African is also part of this country, he is the original son of the soil, he is working as much as he can, and to say we are giving services to him is wrong. But admitting that that is so, even then the modern conception is to collect taxation from those who can pay and to give services to all who are citizens of the State, and it is the duty of the State in this country to provide services for the African, whether he is to-day in a position to contribute in taxes to the level desired by some or not.

At this point I should like to refer to two things. Firstly, to another paragraph on page 11, where it says: "Theoretically, everyone's contributions should be determined by 'ability to pay', but in practice it is impossible to apply this test individually to the poorer classes. So that if they are to contribute at all they must do so through indirect taxes or by rough and ready direct taxes like poll taxes, which take little or no account of ability. Neither this practical reason for indirect taxation nor any of the economic reasons referred to constitutes grounds for not applying the test of 'ability where it is practicable to apply it'". I agree entirely with that. There is no reason why the African should pay more because he requires certain services to be rendered by the State. I repeat in this Council again that the taxation should be collected from those who can pay, and services should be rendered according to the need of every citizen of the State.

While on the question of services, I should like to refer to one statement by Sir Wilfrid Woods on page 7 about education, paragraph 13: "I should be surprised if it is not found that compulsory education of all non-natives is a practical necessity in the interests of the Africans as well as in the interests of the non-natives themselves. In any case, if new special education taxes are introduced in Kenya they seem likely once again to prove to be illusory devices for making the communities pay. The identification of either new or old taxes with expenditure on particular services is theoretically possible, but it breaks down in practice because inevitable developments of fiscal policy eventually blur what was at first a clear picture."

I have several times in this Council deplored the present trend which is

[Mr. Patel] pressed in some quarters of taxing each community for the services rendered to that community. We had experience in that connection during the time of Sir Edward Gigg, an education tax was introduced and was ultimately abolished because it was found to be impracticable. At the same time, on page 8, I find one more remark by Sir Wilfrid Woods, in paragraph 15, under the heading "Funds required for health services": "In Kenya the policy seems to be moving in the direction of communal responsibility for the cost of hospital treatment of Europeans and Asians." After noting his views with regard to education on page 7, I cannot understand his attitude to health services. As a matter of fact I believe that, on account of strong opinion in certain quarters in this country, influential opinion—or shall I say opinion of the influential community—has fought shy of repeating the argument which he has put forward under the heading of funds required for education. Otherwise I am quite sure he would have condemned the present system of allowing communal responsibility for the cost of hospital treatment of different communities.

The hon. Member for Nairobi South referred to the necessity for inquiring into the incidence of taxation between communities. I welcome it, and while welcoming it I should also like to repeat that any committee or commission which makes an inquiry into the incidence of taxation between the communities should also make inquiries as to the amount of land owned by each community, what factories and other industrial concerns are owned by each community, what is the capital invested in each community in public companies or private companies, and so on, and should find out also what is the income per head of each section of the community, and should then take steps to find out by what method the great difference between the earning capacity of the European, Asian, Arab and African communities can be lessened.

When I listened to the speech of the hon. Member for Nairobi South in opposing the motion, I felt that he was making a very weak case. He usually makes a very forceful speech, but this time it was not so forceful, because it appeared to

me that he was arguing an unusually weak case on behalf of his constituents. If I had been a judge listening to the hon. Financial Secretary arguing as an advocate for one side and this hon. Member for Nairobi South for the other side and they had presented their case as they did I should have been obliged to give judgment for the hon. mover of this motion. (Laughter.)

An argument was raised that the Government, by accepting the recommendations of Sir Wilfrid Woods, was not carrying out its moral obligations and was committing a breach of promise by not bringing to an end war-time taxation. We know that we were given to understand that this war-time taxation would come to an end when the war was over, but at the same time there were no post-war development reports ready at that time, and we did not know what plans would have to be carried out in the post-war period. Now we know what plans will have to be carried out, and we must know that any Government policy which was laid down three or four years back may have to be revised at any time, and to make a stand on the question of moral obligation or promise by Government regarding taxation, in my opinion, is not justified. What amuses me most is that when I from this seat say "Yes, Government said during the war, in 1944, that the Immigration Regulations were a war-time measure and only a temporary measure, yet when the war is over they are not repealed, though Government gave an assurance that the promulgation of these regulations was not a change in policy in regard to immigration", someone on the European side would get up and say "No, no, post-war conditions now necessitate a change in policy and there can be no moral obligation or breach of promise in this change". Breach of promise, and moral obligation only come into play when it concerns them. (Laughter.)

I do not propose to take up the time of Council, but I would not like to sit down before making reference to the speech made yesterday by the hon. Member for Rift Valley. The figures were staggering, as they say, of the income tax paid by the European community. I also agree that the figure is staggering, and I feel that something must be done to distribute their income amongst the

[Mr. Patel] other communities! (Laughter.) He said that on account of the figure of income tax paid by the Asian community they should have little or no claim to call the tune in future. Well, I think the hon. member is living in the thought world of the age which has passed away. I would say that that statement is fantastic and reactionary, and one which could only be coined in the Kenya Highlands. In other words, according to him, democracy means that these only shall have the right to note who can pay a high level of taxation.

Further, the hon. member said that the African is not as poor as he is made out to be and that he should pay more taxation, or something like that. If I am not mistaken the average African does not earn more than Sh. 12 to Sh. 20, or at most Sh. 30 to Sh. 40 a month. If that is the hon. member's idea of not being poor, well, I do not know what is the meaning of poverty! I shall have to look up some very well known dictionary to find it out. I should say that perhaps the African does not earn 20 per cent of the cigarette bill of the hon. Member for Rift Valley. (Laughter.)

MR. TRENCH: On a point of explanation, I do not smoke! (Laughter.)

MR. PATEL: His saying that the African is not poor in this country appears to be fantastic, because we know that the African to-day, with the income which he earns, cannot provide even the ordinary necessities of life, and to eat greedy eyes on the African and expect him to make a greater contribution is, in my opinion, very unfair.

I beg to support the motion. (Applause.)

MR. MATHU: Your Excellency, I rise to associate myself with the very few hon. members on this side of Council, who, so far, have found it possible to support this motion and, as everybody has said, and rightly, I too should like to congratulate the hon. mover for the very clear exposition of the main contents of the report.

Reading that report, and reading the reports by Lord Moyne and Sir Alan Pin, I think that Sir Wilfrid Woods has given this country and the neighbouring territories a very clear picture of the

revenue of these countries, and I see no reason really why we should, on this side of Council, not support the adoption of the report. There are certain things, no doubt, in the report that would require greater explanation and that kind of thing, but I do not think we can expect Sir Wilfrid Woods or any other person dealing with human nature to be 100 per cent accurate. I for one do not like his remarks on African education in paragraphs 12 to 14, but he is not alone. I know there are people who have similar opinions when it comes to the question of African education, but I do not think that on that basis alone, this report should not be adopted by this Council.

I should very much like to share the views that were expressed by the hon. Member for the Coast when he said we cannot say that because Government said that war taxation was going at the end of this year or when hostilities ceased, therefore that should happen, but that it is true enough to say that our war has not ended, we have just started the war of developing this country, and of removing ignorance where it exists and poverty, and raising generally the standard of living of all communities in this land. I think no reasonable person can not see that. As I say, Sir Wilfrid Woods did give us a very clear picture of the revenue of this country and of the neighbouring territories. He goes very thoroughly into the question of direct taxation for all races, and on the basis of the information he had he has done it very well. But I should like to say that this country at least should not wait for another 15 years, and it is true that Lord Moyne reported in 1932 on this matter, before it produces the necessary statistical data for future commissioners when they come to examine things in this country.

I should like to quote paragraphs 17 and 18 of the Moyne report, Cd. 4093, of 1932. He said: "No reliable figures exist on the subject of native resources, and estimates which are often quoted as to average income should be accepted with the greatest reserve. Even, however, if such increase of wealth were more easily measured, accepted European tests of taxable capacity would be misleading if applied to native conditions in Kenya." When Sir Alan Pin came and reported in his C. No. 116 of 1936, he said:

[Mr. Mathu]

Further, any attempt to evolve a new system of taxation . . . will require a much closer study of the economic and social organization of the various tribes before any approach to assessment according to capacity is possible. There is a statement which was made ten years ago, that before we can devise methods of assessment or collection of tax from Africans a study of the economic and social organization of those people should be thoroughly established. I submit that we have not got, up to now, any such study made in order to see the position of the African, economically or socially, and now we come to Sir Wilfrid Woods, who says in paragraph 213 that no satisfactory method of achieving such a radical reform appears to be in sight which would effectively relate tax liability to ability to pay, and that there is no reason for introducing a half-measure which would leave the problem still largely unsolved, and so on.

There we see three Commissioners complaining in effect that we have not got the material for them on which to work. I cannot support more a plea that has been made by various speakers on this side of Council that our statistical department should be strengthened and all the facts we require obtained without further delay.

Remarks have also been made on the ability of the African to pay taxes on his capacity to pay, and I thought my colleague, Archdeacon Beecher, made a very clear picture in his speech yesterday when he tried to point out to this Council the present economic condition of the African people. The poverty that is prevailing to-day among the four million Africans in this country, is, I think, more than occurs anywhere else among Africans, and for certain members of the Council to reject the report and complain that no recommendations are made by Sir Wilfrid Woods that Africans should pay more taxes is to my mind hurting.

Mr. George Hall, Secretary of State for the Colonies, in the House of Commons on the 9th July of this year, as reported in the weekly Hansard No. 32, columns 253 and 256, said this: "I now turn to the colonial economic problems . . . The fact, and it is an ugly fact, is

that the majority of our colonial peoples are very poor. This is due to the poverty of their environment, and of their education." The hon. Financial Secretary, as reported in the *East African Standard* on the 25th of this month, said in this Council: "Everyone knew that the present poll tax was a serious burden on the majority of Africans, because there was widespread poverty in the native areas."

What are the sources of African income? That income is negligible in comparison with the incomes of the rest of the inhabitants of this land. Their main source of income is agriculture. If we look at native agriculture in this country we find a condition in which the farming methods are primitive, the averages per head are very small, the markets for the produce of the African are unguaranteed, and very often there is preferential treatment in the prices offered for the produce of the various communities, and there is the ignorance of the African in producing animal products. All these things are prevalent in native agriculture to-day. What can he produce? Can he make even a livelihood out of the land when those conditions prevail? I submit that he cannot, and that is why we have the situation which we have at the present moment.

The second source of African income is that of wages. The wages in this country for the African native from the labourer to the clerk and the schoolmaster are, I think, accepted to be extremely low. I think it was the hon. Member for Usisi Gishu who complained that African taxation has remained at a standstill for the last 15 years. Nobody will agree with that, because the African direct taxation was raised only three or four years ago. But I think it is true to say that the wage rates of Africans on the farms and in commercial houses and everywhere have almost remained at a standstill for the last 20 or 30 years. (European members. No, no!) That being the case, then how can we expect the African to pay more when that second source of his income when he goes out to employment does not give him more?

If I may quote Mr. George Hall again in the same debate on the 19th July: "I recognize that it is our responsibility

[Mr. Mathu]

to try to arouse in the African people the desire to make this greater effort by seeing that they get a fair reward for their work. The abolition of poverty can be brought about in that way." I shall be told, and have been told more than once, that the African does not do a good day's work; therefore he cannot expect to get more. I have read that in this Council and have read it in the Press and have heard it everywhere, but there is only one thing I should like to ask publicly of all those who complain of the African: Can we have a demonstration of what is a day's work? Is there someone who can get a *tembe* and a *panga* and tell these people on the farms how it is done, and show them what a day's work means? (Laughter.) I do not think we can ever say what a day's work is by sitting in a chair and criticising and condemning the Africans who are really producing the wealth of this country. What is wrong is in the mal-distribution of profits, and those words were used by Mr. Hall in the debate to which I have referred.

I go to the next point. The principle of equity of incidence in taxation is a very sound one, and Sir Alan Pim in his report in 1936 said this: "The present would be most unfavourable to an attempt to effect any substantial increase in the rate of native taxation. Higher rate aggravates inequalities."

The third source of African income is trade, and the hon. Member for Nairobi South gave an instance where a group of Africans have acquired property in Nairobi, and he also described them, "I was pleased to hear—because it was the first time I had heard such a kind remark—made as a group of African traders who were virile and intelligent. If I heard him right that is what he said, and I welcome from him remarks of that kind, because the picture of the African is very often painted in very black colours, and to hear remarks of that kind, even if they refer to a small group of Africans, they are Africans, is very pleasant and they might even refer to others who he has not met. I do hope that that might be an expression which came direct from his heart and it might interest those who think like the hon. member in that particular case.

But, turning to the small group of Africans who bought property in Nairobi at the rate of £12,000 or £15,000, I personally know the group very well. Incidentally, I am interested in that property in the sense that I am now, with a European lawyer in the town, one of the trustees of it. I would like to say that the money these Africans put together was collected cent by cent from very poor people, and in that way they managed to get the money that was necessary. Even if those people were wealthy it would not justify the introduction of a new system of taxation for Africans just because that small group acquired property worth £12,000 or £15,000. I submit it would not be justified.

The hon. Member for Rift Valley also mentioned—he incidentally saw no good in an African—that 250 lorries were being applied for by Africans out of 400 lorries. There, again, in an isolated case, and it is usually four or five Africans who purchase one lorry, so that those 250 lorries might belong to nearly 1,000 people. If you distribute the money they pay for it you would find a large number paying a small sum. Even if Your Excellency fixed an income tax for these people and made family and children's allowances, you would not get a penny out of them, because there would be no income to tax.

There are one or two other points in regard to some other remarks made in the hon. Member for Rift Valley argued in a way that I could not understand. He said that income tax from the European community was so much, the income tax from the Asian community was so much, and from Africans nil. I think he used the word "nil"; and quite emphatically, I should like to argue in another way and ask the hon. Member for Rift Valley whether he would agree with native poll tax, Asians half a million, Europeans nil, Asians nil. (Laughter.) (Mr. Trench: Personal tax.) I said native poll tax, Your Excellency. (Laughter.)

The hon. Member for Nairobi North—we often agree, but there is a point here where I see we cannot agree. He argued that the African is going to be asked for services for which he has not paid, and he quoted some local authorities like Nairobi Municipalities. (Mr. Vasey: On a point of explanation,

[Mr. Mathu] I do not think I said that Africans do not pay for services. I said that was an argument used against those of us who tried to get services for the African. I accept that explanation. (Laughter.) The point was made that in general services the Africans should not expect to receive services for which they have not paid. They want to pay for all their services and, indeed, they try all they can to pay. They save up their 10 cents until they get their Sh. 14 poll tax, until they get the Local Native Council rate, and they want to do it. But the Kikuyu have a saying—I do not know whether it sounds good in English—that a cow is said to be generous if she has the milk, but if the udder is dry she can be as generous as she likes but you cannot get a drop out of her. (Laughter.) That is the exact position with regard to the African people. If you give more concentrates to the cow she will produce the milk, and the same way with the African.

This point leads me to say that the African would like to pay more in direct taxation, but he cannot, he has not got the money. He is helping the European population to accumulate wealth with his labour, he is helping the Asian community also to accumulate wealth—(Sir Alfred Vincent: Hear, hear.—Laughter) but because there is a mal-distribution of profits the African gets nothing and all the profits go to his employers. Therefore I think it is quite reasonable for the African to argue this way: "I have helped Mr. X to accumulate all this wealth, he does not give me a fair reward, I should like him to be taxed, and his money expended on my services so that what I have helped to get directly I and my children may get indirectly." Therefore I am in agreement with Sir Wilfrid Woods when he said in one of his conclusions, "I think No. 8, page 152: "Additional native taxation sufficient to modify substantially the budgetary position of the Central Government is unlikely in existing African economic conditions. Changes in the distribution of these native taxes do not appear to me to be expedient in present circumstances." That is the same conclusion which Lord Moyne came to and Sir Alan Pim, and I think, I think the correct state of affairs.

One word in regard to the Local Native Councils' relationship with the Central Government finance. I welcome the assurance from Government that they will arrive at conclusions on this matter as soon as possible. I know that there again the Africans would like to pay for the services in their areas, but because they have not sufficient money from rates they have to ask Government for assistance, and I have a definite proposition in my mind of some rebate of the poll tax for our services. It has been done elsewhere, and I think it ought to be done in this country. That is a thing I would personally like to make very seriously at an appropriate occasion.

There were certain points on which the hon. mover asked for our opinions, but before I give mine I should like to say one general remark on the question of indirect taxation, that the African does contribute substantially. In 1936 Sir Alan Pim's estimate was roundabout 19 per cent, and this time I think it will be more because the African is consuming more of imported stuffs than I think he was in 1936. On the question of national registration, I should like to support the hon. mover's suggestion, that that should definitely be for all races, and with his further suggestion that if that was agreed to there should be a registration for identification and for other purposes as well, and that it should be done simultaneously for all races, and the African should not, as he has since 1919, have a system of registration all to-himself. I support also exit permits. On the question of the evasion of taxation, I agree it is a question we must definitely deal with, and Africans should not evade their taxation where they are liable, nor should other communities, because we cannot run the country with a high percentage of evasion of taxes.

In conclusion, I should like to say that I know that this report will be considered and most of it adopted. But no new system of African taxation, either for the whole country or for a small minority of a very few people in trade—who have great difficulty even in getting trade licences or plots on which to put up shops should be introduced at the present moment. I also express the hope which the Development Report contains

[Mr. Mathu] that "the fiscal system should be so designed as to afford the maximum of encouragement to industry and agricultural development". That encouragement is very needed on the African side for their agricultural undertakings and trade and reward for the work they do should be given the attention they deserve.

Your Excellency, I beg to support the motion. (Applause.)

MAJOR KEYSER: Your Excellency, it was not my intention to speak during this debate, but after the speech of the hon. member Mr. Mathu I think there are certain remarks I feel I must make. First of all over this question of native poverty. Now poverty must be related to the requirements of the individual and also to the effort that that individual makes to get rid of his poverty, and that immediately takes us to the question of whether the African is really working, whether it is in his own reserve or whether it is for wages; whether he is doing a day's work.

At the outset I must say I should like to make a few remarks on the question of our relations with the African. I deplore the trend of the last few years where attempts are being made to spoil the relations between the different races, especially the employer and employed. I for one have a great liking for the African, and on the whole I get on extremely well with him, and we all—I speak for farmers generally—we all have great sympathy with the African and with his aspirations. Ever since I have been in the country I have noticed a particular desire on the part of farmers to assist the African in his uplift, even to the extent of assisting him in his trading and in his marketing of crops. I will refer to a matter of some ten years ago when to the Kifosi in North Kavirondo found it extremely difficult to market their maize, and they applied to a co-operative society of European farmers to assist them. They were given that assistance, and through that they were able to get a far better price than Africans in other reserves who did not have the same facilities. They were extremely grateful for it, and after maize control came in they still wished to continue to market

through this European co-operative society, but were unable to do so. I merely quote that as an instance of the desire on the part of the European farmer to assist the African.

I think a great disservice is being done to the African by his own leaders and by people who keep on telling him that the effort he is making to-day is an excellent one and that he is doing sufficient, because I cannot see how the African is going to raise, if you like it, his taxable capacity unless he makes a greater effort. I cannot see how he is ever going to raise his standard of living unless he makes a greater effort.

The hon. member Mr. Mathu wanted to know if it was possible to demonstrate what a day's work really was. Well, of course, that is perfectly easy to do and it has been done on many occasions to Africans. I recollect an English farm labourer who came out here. When his master sold his farm in England he asked if he could come out here and work for him, and he came out. I saw him working with a gang of Africans cleaning maize. He did exactly double the amount of work that they did. He worked a bit, got ahead of them, came back again, supervised and saw that they were doing a job; he then went back and started again, got ahead again—and in half the time had finished double the work.

There are also records of the amount of work that is done by workmen in various parts of the world. For instance, America has records of what an American farm labourer will do working and husking maize. There you get a single labourer, picking they call it, snapping—the corn and husking it. He snaps it and husks it. He has a cart and horse following him and he throws it into the cart and when the cart is full he takes it to the maize crib and puts the maize in himself. That is one man working by himself. It is true he has certain little devices to help him husk the corn; he has a thing like a glove with a hook on it with which he rips down the cob and takes the husk off. I went to the expense one year of importing a number of these and gave them to my African labour, but the second day they discarded them, saying they were a useless sort of thing and did not help them at all.

[Major Keyser]

If we go on telling the African he is making as big an effort as is necessary, I cannot see how he is ever going to get out of the present position that he is in. His aversion to physical effort is inherent, and somehow or other we have got to get him out of that position. How we are going to do it I do not know, but I am quite certain to tell him he is doing quite enough. (Archdeacon Beecher: Who is telling him?) I think the hon. member Mr. Mathu this morning tried to say that the African was doing sufficient work to-day.

MR. MATHU: On a point of explanation, did I say anything with similar words? If I did I think the implication was wrong.

MAJOR KEYSER: I probably misunderstood him. That is what I understood.

Anyhow, the point is that when he is given an opportunity of earning more money by doing more work as a rule he will not take it. I know of cases in my own district where farmers who are trying to get a good day's work out of their labour, who are prepared to pay good wages and give good conditions for it, but who cannot get labour. Their labour leave them to go to farms where the work is very light—I believe two or three hours a day, only—for possibly half the wages. There are numerous cases of that happening all over the country. I know of cases where the labour are given task work, for say, picking coffee or pyrethrum, on completion of which their ticket is signed up. They finish it in a few hours' time and they then have an opportunity of earning more money by picking more pyrethrum or coffee, and invariably they will not avail themselves of it. They are perfectly happy to work for two or three hours for the ordinary monthly wage, and that is going on all over the country.

If the African is going to have all these social amenities that he wants, then I consider he should make a greater effort in order to pay for them. Unless he is going to make a greater effort, I do not see how the national income is ever going to be increased. He forms the very great majority of the population of this country, and if you are going to have

that enormous majority earning making a 10 per cent or 20 per cent effort, then I cannot see how the national income is ever going to be increased to a stage when the African can have all the social amenities he is demanding.

I could not quite understand what the hon. member Mr. Mathu meant when he took up the hon. Member for Rift Valley over the question of income tax. The hon. Member for Rift Valley gave total figures for the European income tax and excess profits tax, and that for Asians, and said "Natives—nil". Well, the Income Tax Ordinance does not say that Africans need not pay income tax. The African, according to the Ordinance is liable to pay income tax, whereas as the hon. member Mr. Mathu brought up the case of the African poll tax and said that the Europeans paid nil. Of course the European pays nothing, he is not liable to pay native poll tax, but the African is liable, according to the Ordinance, to pay income tax. He also quoted the Kikuyu proverb about a cow. A cow is said to be generous if she has milk, but if the udder is dry she cannot give milk. That is what I understood him to mean. I am a dairyman and I also have some of these cows that would like to be generous but cannot, and if they cannot give milk I make them produce meat! (Laughter.)

The prosperity of the Colony and of all members of the community during the last few years has been fortuitous and entirely due, in my opinion, to the war, and the African has not been left out of that prosperity. I do not know whether the figure is correct, but I think the figure of money that has been paid into the reserves in the form of gratuities and family allowances during the last few years is not far off £10 million. In any case, as it is rather an interesting figure, the hon. Member for Nyanza is going to ask a question on that particular point, but I think it may be somewhere in the region of £10 million. It is quite a big sum to be paid into the reserves, so that when the hon. member Archdeacon Beecher took up I think the hon. Member for Uasin Gishu for saying that the reserves had a considerable amount of money in them, I do not know that he was quite correct in his criticism of what the hon. member said.

ARCHDEACON BEECHER: On a point of explanation, I did not deny that large sums of money had gone into the reserves, but I alleged that they had quite rapidly gone out! (Laughter.)

MAJOR KEYSER: The hon. member Mr. Mathu said that the hon. Member for Rift Valley had said quite a lot of bad things about the African. That is another thing I do deplore. Any criticism of the African or his lack of effort is always considered as something very bad. I do not think that way, because, as I said previously, unless he is going to improve his conditions, and for that to be taken as bad or for any of the remarks I have made to be considered as bad would, in my opinion, be an entire misconception of what I meant, because I do not say it in a bad way; I say it because I think it would be of very great assistance to the African.

Just referring for a few minutes to the actual report itself, I am not going to throw any more bouquets at the hon. Financial Secretary. I think he has probably had quite enough! (Laughter.) But he did mention the question of evasion, and he told us what steps were being taken to deal with this evasion. This Income Tax Ordinance, I think, was before this Council in 1936, and the first assessment in 1937, was on incomes for 1936. That was some years before the war, and my recollection of the discussions about income tax and the main opposition to it from the European community was that it would be a tax on the European community only, because it would be impossible to collect it from the Asians. So that the Government at that time had warning from the European community that they considered that the pre-war device was evasion. Why, sir, in the pre-war days was not the staff procured to deal with that evasion? We are now told that evasion has occurred because during the war the staff could not be obtained. Why was that staff not obtained and the organization built up in the three years before the war?

Just general remarks about the report. It does seem to me that Sir Wilfrid Woods certainly produced a history of taxation in the colony, and he then thought that it was far too great an effort to change anything and he said

"Right, leave everything where it is", and that is apparently what he has reported. He does not seem to have been able to make an effort to recommend any change at all.

With regard to the development programme, there seems to be an impression that we on this side of Council do not want to find the money for the development programme. That, of course, is entirely erroneous. We all consider that more development should take place in the Colony, and we are perfectly prepared to pay our whack in finding money for it. What we complain is that we are being asked to find all the money and that the burden of finding finance for its development is not spread over all the communities as it should be. In other words, to go back to the old cow, we are an easy cow to milk, and therefore we are being milked.

I beg to oppose the motion.

MR. MERTENS: Your Excellency, while I can assure Council that I do not propose to take up much of its time, there are one or two specific taxation points with which I should like to deal. I have listened to a number of criticisms of the incidence and application of income tax, but no member has apparently found it necessary to criticize the work of the staff of the Income Tax Department. I very much appreciate that distinction. The staff of the Department has during the war years been faced not only with a very considerably increasing volume of work, but has at the same time been required to administer new and complicated taxes, at a time when the pressure of work was at its greatest and when it was quite impossible to obtain any further staff.

I think it may be as well if I try and deal with the specific points in the order in which they appear in Sir Wilfrid Woods' Report.

A number of references have been made to the lack of statistics and the decision referred to by Sir Wilfrid Woods as the unfortunate decision to abandon those statistics. I want to make it perfectly clear that that decision was not so much a decision to abandon as a decision to postpone the preparation of an analytical report until such time as

[Mr. Mertens]

staff was available. Full details are available in our departmental records from which an analytical report can and will, I trust, be prepared, and within the last few months it has been found possible to obtain the services of a suitable officer, who is at present engaged in commencing the nine years analytical work involved.

There have been a number of references to the question of native taxation. I want naturally to deal only with that side of it that concerns my department. There can, I think, be little question that the African in the reserves has a certain amount of capital behind him as a result of war-time activities, and reference to the Registrar of Companies will show that he is taking a very growing interest in company legislation. But detailed analysis of that interest shows that only a very small individual investment is involved. Out of 20 African companies floated this year, details of shareholdings are only available in three, but in the largest of these no less than 2,411 shareholders have subscribed a total of less than £6,400, and the maximum shareholding by any one person does not exceed £12/10/0.

The hon. Member for Rift Valley referred to the number of permits that were being issued to the African community to purchase lorries. That, does, I feel, show that there is latent wealth in the reserves, but I agree with the hon. member Archdeacon Bessier that it can only be liable Africans who are likely to be liable to income tax, having regard to the personal allowance to which they are entitled. I must, however, cross swords with the hon. member when he refers to gross dereliction of duty on my part in not having assessed to tax certain Africans. The onus of notifying liability to taxation rests specifically with the taxpayer, and penalties are provided in the Ordinance for persons who fail to notify their liability. If there are any African taxpayers who have failed to notify us, I suggest that it would be in their own interests to come forward rather than wait to be traced by the department. I think Government is fully alive to the number of potential taxpayers, and whatever steps can be taken to trace them will be taken by my department.

I now come to what I consider the most important paragraph in the Woods report. I think a number of hon. members will agree with me that a number of criticisms to-day and in the past day or two have turned on the question of evasion of tax. That evasion exists I think goes without saying, and that it is not confined to one section of the community also goes without saying. I think in any society subject to Government impositions there are people who try to evade their dues, who think the Government is fair game, and who go so far as to feel there is something laudable in defrauding the revenue. But there is undoubtedly a growing feeling in this colony that evasion has grown to such dimensions that it is affecting the general revenue from the tax, and it is clear that it must be the prime duty of the Income Tax Department to see that tax is not evaded wherever possible.

The hon. Financial Secretary stated clearly that he considered the problem serious. I am in entire agreement with what he said. I am in entire agreement with it because I am sure that it has assumed very large proportions in the shape of a considerable section of the taxpaying community. Not that I want to give the impression that I consider it rests only in the imagination—there is no doubt it is a very real problem, and it does tax the ingenuity of my department to deal with it. But any attempt to measure the extent of the evasion is, I think, a waste of time at this stage.

The hon. member Mr. Patel quoted Sir Wilfrid Woods as having said it rested on a number of generalizations, the accuracy of which cannot be tested. The hon. Member for Nairobi South quoted official figures which show that in the years of assessment from 1942 to 1945 and including excises, profits tax, some 74 million pounds had been assessed on the European community against £873,000 on the Asian community. I must agree entirely with the hon. member Mr. Patel that the comparison of gross figures of that sort is misleading. In 1938 the Standing Finance Committee reporting on the incidence of taxation, referred to the very wide field covered by income tax and to the number of sources of that income that were almost entirely in the hands of the Euro-

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pean community. The percentage of tax payable at that time was shown as 9 per cent assessed at that time on the non-European communities, but the Standing Finance Committee in its report stated that, if the yield was divided between the trades, in which all races participated, the proportion would be nearly 20 per cent for the non-European communities. Unfortunately, we have no up-to-date information.

I think it was the hon. member Mr. Patel who wanted a commission of inquiry into the incidence of taxation. I would suggest that the time is hardly ripe for that. When statistical information is available, I think the figures shown will not be so disproportionate as they appear on the surface.

The hon. Member for Usin Gishu asked what steps Government had taken to reduce the evasion problem. The hon. Financial Secretary stated that machinery for dealing with tax evasion existed in the Ordinance, provided trained in the operatives were there to keep that machinery in motion, and I am grateful to the hon. Member for Nairobi South for his sympathetic appreciation of the staff problems in the department. Throughout the war period not more than two-thirds of the approved establishment was ever available, and that position rules at the present time. As a result of the increase in the work as a result in the reduction of the personal allowance the Commissioner was faced with the decision whether to give every case the careful examination which it would normally get or whether to postpone—and I want to underline that such postpone—that examination until such time as staff was available.

The actual steps taken by Government to strengthen the hands of the department have been numerous. In 1943 the penal sections were very considerably strengthened, not only by increasing the penalties payable, but also by extending the time limit within which action has to be taken and, as the hon. Financial Secretary stated, there is now a time limit whatever to the time within which action must be taken. At the same time the opportunity was taken to introduce a very important new section, 27A, under which any person failing to render a return or omitting any income from that return is subject to very severe additions

to his normal tax, while at the same time being liable to any penalty under the penal sections.

Further, last year a far reaching step was taken with the inauguration of the investigating branch of the department. That branch deals solely with returns or cases in which negligence or fraud is suspected. So far in 1946 that branch, which is entirely in the hands of one trained officer, has produced over £10,000 in tax that would otherwise have been lost, but these figures give a very poor impression of the real value of the branch, as there are a number of cases where it is considered that we should not compound an offence for a cash settlement but take appropriate action through the courts. I would like to say at this stage that two such cases are under consideration at the present time.

I would like to make it clear that the work of investigation is by no means easy. The investigating accountant, a man who has had many years of training in the United Kingdom, has so far this year succeeded in completing five cases only. Cases have to be gone into very carefully and evidence has to be accumulated to prove the fact beyond doubt that there has been a fraudulent return. Consequently, if evasion has reached major proportions, it is essential that that branch of the department should be strengthened without delay, and I am very grateful to the hon. Financial Secretary for stating that that is Government's intention.

I have said that machinery for dealing with evasion exists in the Ordinance. The hon. Member for Nairobi South referred to two specific points where he felt the machinery had not been put into motion and which did not involve much addition to the staff. They were the use of the provisions under which banks and the Post Office may be required to divulge information about remittances overseas. It has in the past not been considered good public policy to insist on information being obtained from these sources owing to the very peculiar relationship which exists between a banker and his client, but these powers do exist in the law, and I would like to say that the question of making fuller and wider use of these powers will be borne in mind and will be applied in all suitable cases. (Hear, hear.)

[Mr. Mertens]

The other point to which the hon. member referred was the question of the language in which books of account should be kept. I am not in the happy position of being able to defraud the revenue, but I feel that in practice it would be as easy to falsify books in one language as in another, and I think the practice used by the department—which is to use the services of a trained interpreter whenever necessary—is very often the best method of tackling that problem.

I was glad to hear that hon. members were in favour of the general principle of identity of income tax rates and allowances throughout East Africa. I can assure Council that that will enable the department to concentrate on a full collection of revenue rather than splitting the collection between territories.

The hon. Member for Ukamba suggested it might be the case that it would not be worth while to try and collect tax from unwilling taxpayers. I beg to differ with that opinion. (Laughter.) I agree with Sir Wilfrid Woods when he says that, given adequate trained staff, my department can catch up and clear the evasion problem in two to three years. The evasion of income tax, in spite of what some people think, is not always an easy matter, and I think a number of people who may at the present moment be feeling happy that they have dodged the department would not feel quite so pleased if they realized that their names very likely appear on a black list in the department and only await an influx of staff to be tackled. I have very little doubt that in a number of cases it is a question of giving a man enough rope. (Laughter.)

The hon. Member for Nairobi South also referred to the evasion going on by traders trading without trading licences, and quoted certain figures to show that close collection of that tax resulted in a very considerable increase of revenue. He referred at the same time to a zealous junior officer who made himself unpopular by attending to his duty without bias or favour. I fancy I know the officer to whom he referred, and if I am right I am proud to say that the officer was at the time and is to-day in my department, and that the only reason

he was removed from the scene of his triumphs was on account of promotion within the department. (Sir Alfred Vincent: Hear, hear.)

An inspector of licences was appointed last year. So far, again due to staff difficulties, it has not been possible for him to carry out inspections anywhere other than in Nairobi, nor has it been possible for him to spend more than a portion of his time on these duties. But, from the very few inspections that have been carried out, £800 additional trading licences were collected in 1945, and so far this year some £400 has been collected. When, and I hope it will be possible for him soon to tour not only upcountry districts but Mombasa area as well, I feel little doubt that a closer collection and a greater collection of revenue will result.

I should like to conclude my remarks on the all-important problem of evasion—and I think I am right in saying I have the backing of all sections of the Council—by reiterating that it is my duty and intention to pursue a determined and ruthless campaign against tax evaders, whatever their station and wherever they may lurk. (Hear, hear.) Recently, Sir John Anderson likened the taxpayer to a willing horse. Sir Wilfrid Woods was given the unenviable task of overhauling his harness. I think it speaks well for the Legislature that he has seen so little need to alter its design. (Applause.)

MR. TROUGHTON: Your Excellency, a number of general questions have been raised in this debate to which, I feel I ought to refer, but I do not propose to go into any very great detail, because it is not my intention to press this motion to a division, but, with the consent of my seconder, to seek the leave of Council to withdraw it. I do not care two hoots whether that is interpreted by my hon. friend the Member for the Coast as a sign of weakness! (Laughter.) I am very anxious that there should be no misunderstanding about the real intention. The intention was to seek expressions of opinion from hon. members on the subject of Sir Wilfrid Woods' report, and it was not to attempt at this stage to force any taxation policy on the country.

I found it necessary when my hon. friend the Member for Nairobi South

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was addressing the Council to interrupt him because I felt that a remark which he made, if allowed to pass unchallenged, might create a misleading impression, and I am very sorry to see that the *East African Standard* has not reported the remark that I made when I interrupted him. I feel, therefore, that I must repeat it, because it would be most unfortunate if there was any misunderstanding either in this Council or in the country generally as to the position of the Government in this matter. The *East African Standard* reports my hon. friend as saying: "We have had the assurance from the hon. Financial Secretary that the Woods' report has not been accepted in any way by Government and that Government will not attempt to enforce its conclusions on the country", and then it proceeds to refer to another aspect of the matter. At that stage I made it quite clear that the fact that this motion might be withdrawn in no way meant that it might not be necessary for the Government to impose taxation on the country in 1947 against the views of hon. members on the opposite side of Council.

SIR ALFRED VINCENT: On a point of explanation, I think that I should ask my hon. friend to quote my reply also, which was not in the *Standard* 16-day, to the effect that if the Government attempted to force these rates of taxation on the country, then the balloon would go up.

MR. TROUGHTON: Your Excellency, I do not dispute the accuracy of the hon. member's remarks in regard to the balloon!

MR. COOKE: On a point of order, as this matter may have serious repercussions, will the hon. gentleman inform us whether he sent a draft of his speech to the *East African Standard* before or after the motion, or at any time?

MR. TROUGHTON: The answer to that is that no draft of my speech was in existence either before, during or after the delivery of the speech! (Laughter.)

This debate has, I feel, served its purpose, which was to elicit expressions of opinion from hon. members of the Council. The hon. Member for Kiambu, if I understood her aright, did say that

Sir Wilfrid Woods' report seemed to her to be very largely a muddle.

Mrs. WATKINS: No, on a point of explanation, I said it was a clear picture of a muddle. (Laughter.)

MR. TROUGHTON: Your Excellency, I accept the amendment! (Laughter.) I feel sure that Sir Wilfrid would be glad to know that my hon. friend did not consider his report to be a muddle.

Perhaps I might be forgiven if I refer to the expressions of opinion from members of this Council as conveying a very general sense of muddle to me, but there in this about it: there have been to many divergent opinions expressed that I feel sure that when the Government presents its policy to this Council, although it cannot by any stretch of imagination be acceptable to all, I feel buoyed with hope that it will be acceptable at least to some. (Laughter.)

I do not wish to anticipate the budget debate, but the issues involved in this matter that we have been discussing seem to me to be relatively clear and simple. In the first place, what services ought the Government of the Colony to provide in the year 1947, and secondly, how is the cost of those services to be met? If hon. members do not feel that the taxpayers should meet the cost of the services which the Government feels that it ought to provide, then I suggest that the ball is with them to indicate how, in their opinion, those services should be curtailed, or performed by other agencies, or not performed at all. All these matters will be discussed at length next month when we debate the budget.

The hon. Member for Uasin Gishu, and I think also the hon. Member for Kiambu, referred to the possible acceptance of Sir Wilfrid Woods' proposals as representing the continuation of wartime taxation legislation and the breaking of solemn promises given in this Council. I must make myself very clear on this point. The pledge given by the Government regarding taxation legislation, and the only pledge that I am aware of, was that our taxation legislation would come to an end on the 31st day of December next, following that day on which you sir, might by proclamation declare the war to be at an end. That means on the 31st day of December this year. The

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and for a system of exit permits were generally acceptable, and I can assure this Council that we shall proceed in the matter without delay. But I must make this point, that to be really effective any system of registration and any system of exit permits should be East African rather than Kenyan in scope. To have it on a basis of Kenya alone is better than nothing, but the ideal is to have it throughout East Africa, and I hope that it will be possible to persuade the other Governments to play ball with us in this matter. (Sir Alfred Vincent: If it is not, let us have it for Kenya.) If it is not, let us have it for Kenya.

We have heard much on the subject of high, sky high, and other adjectival taxation, and my hon. friend the Member for Nairobi South said that it seemed to him that the proper adjective to use was "sufficient taxation". Well, I gladly accept that phrase. Whether taxation is high or low is a matter of opinion, but whether taxation is sufficient to provide the services which ought to be provided by the State is to a very large extent a matter of fact.

I feel I must at this stage intervene in defence of my hon. friend the Member for Ukamba against the onslaughts of another hon. friend the Member for the Coast. The Member for the Coast argued that his colleague, by virtue of being a signatory of the Development Committee Report, was estopped from opposing the Woods proposals. I suggest that that is absolute nonsense. (Laughter.) What the hon. Member for Ukamba is stopped from denying is that he expressed the view that there should be no appreciable—not so considerable—no appreciable reduction in taxation. But the hon. Member for Ukamba would be perfectly within his rights, as a signatory to this report, in deprecating, let us say, the abolition of excise duties completely and utterly and stepping up the income tax by Sh. 5 in the £. He is in no way committed to the endorsement of the proposals.

Mr. COOKS: On a point of explanation, I am very glad the hon. gentleman has endorsed the title I gave to him of the Vicar of Bray. (Laughter.)

Mr. TROUGHTON: I was very glad to see and hear that what I had said on the subject of tax evasion was generally acceptable to members of the Council, and in particular that the proposals or the suggestions for the registration and identification of members of all races

I do not think it is any part of my duty to defend Sir Wilfrid Woods' report from the various criticisms which have been made, but I must, I feel, take my hon. friend the Member for Nairobi North to task in that he quoted paragraph 1 on page 151, which is a paragraph summarizing certain paragraphs in the report. The hon. member said in essence that this was really pretty poor, whereas if he was in any way close to the meaning he could have ascertained it by referring to the paragraphs of which it was a summary. It is a very dangerous thing to quote a summary from an official document when the actual document is available. In that particular paragraph Sir Wilfrid Woods said that as there were no statistics on which an estimate of the national income and of its distribution could be compiled, he had no alternative but to approach his task on the basis of commitments and needs.

Mr. VASEY: On a point of explanation, that was the origin of my criticism.

Mr. TROUGHTON: That may be the origin of the hon. member's criticism, but nevertheless Sir Wilfrid Woods made his position perfectly clear. I suggest, to any intelligent member of the Council. (Laughter.) He has argued as the second best method of approach. There can be no possible ambiguity about it. He recognized that it was unsatisfactory. It is rightfully important to get this statistical service going, and it is rightfully important to get our income tax statistics up to date. Hon. members will have heard the explanation of my hon. friend the Acting Commissioner, whom I should like, if I may, to congratulate on his maiden speech. (Applause.) There is only one thing that

is very largely what influences, and must influence, the potential residential settler.

(Mr. Troughton)

I would add to it, and that is that I do feel that in addition to keeping records of total figures there is some advantage in keeping records by reference to race. Much as I dislike racial controversy, it seems to me that it is essential in the interests of good government that the Government should have a clear and authoritative picture of the part that each race is playing in the economy of the country.

My hon. friend the Member for Usisu Gishu spoke at some length on the dangers of the revenue being dependent too much on agriculture, which in turn was dependent on the vagaries of the weather, as well as other factors, and pointed out that there are bound to be bad years. That we must all recognize. But I must say that Sir Wilfrid Woods' figures as forecasts of revenue were based on average yields over a period and he did not assume that the yield would necessarily be identical each year. But I would like to make the point, in relation to what the hon. member said, that in a country that is largely dependent on agriculture, as this is, it is of the very first importance, both from the revenue standpoint and from every other standpoint, that reasonable and fair prices should be paid for agricultural produce. (Applause.) Without such prices all our development programmes, all our revenue and expenditure plans really become very largely waste paper.

• This dependence of the country on agriculture does, I suggest, accentuate the need for a second string, or several second strings, to our bows, and it is for that reason of the first importance, I feel, that the fiscal system should be so designed as to foster industrial development and mining development and residential settlement. In so far as industrial development is concerned, the Government has already published proposals for amendments to the Income Tax Ordinance, which will cost a very great deal of money, with the direct object of fostering this development. So far as residential settlement is concerned, I do not think it can be contended that the present level of income tax in this country should discourage such settlement, because the income tax rates are so much lower than the comparable rates in the United Kingdom, and after all

that is very largely what influences, and must influence, the potential residential settler.

The hon. Member for Nairobi South quoted comparative figures of personal income tax. He showed that in many cases taxpayers in Kenya were paying more than the corresponding taxpayers in other African territories. I would only like to make this point, that if Sir Wilfrid Woods' proposal regarding children's allowances for educational purposes were accepted, the picture would be completely transformed in East Africa without any variation in the basic rate of income tax as opposed to an adjustment of the allowance as the best way of providing relief for the taxpayers. I admit that I said that more political capital could be made out of, and when I referred to that I was referring to Government, but more could be made by a dramatic announcement of a reduction in income tax rates, but I feel that thinking people realize that that is not necessarily a good thing to do.

Several members have spoken about the probable purchasing power of this country for the next few years, and if I have sensed the general opinion aright it is that the present level of civil purchasing power will be maintained for perhaps two or three years, and may then show a tendency to decline. Well, I suggest that if that view is correct, a logical conclusion would be that during those two or three years we should endeavour to build up our surplus with a view to being able to maintain and even extend our services and our development programme while the rubber more meagre times come. I cannot see in it an argument for budgeting for a deficit under present circumstances, nor can I see in it an argument for a reduction of taxation in present circumstances, though I think there is an argument for the reduction of taxation when times cease to be as good as they are now.

So far as I can see, once again we get back in this question of purchasing power, very largely to the price of agricultural produce, and also to the vital necessity for encouraging agriculture and industrial development in the future. I agree wholeheartedly with what the hon. member Archdeacon Becher said, that Government must do all in its power to

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stabilize wages and prices, avoiding the Scylla of inflation on the one hand and the Charybdis of deflation on the other.

Turning to the question of local loans, my hon. friend the Member for Nairobi South challenged my conclusion that a local loan was not successful if reflected a lack of faith by the people of the country in its future. I am afraid that my original conclusion must stand, because it was based on the assumption that a local loan would be based on current rates of interest and would be launched at current market prices. There is no reason why, to my mind, trustees should not invest in a local loan without any fancy provisions regarding rates of interest or freedom from income tax. Naturally one cannot expect trustees to invest in any loan the interest on which is tantamount to a charitable donation to the revenue. It is essential the interest should be fair and based on market rates, and if interest is earned in that way I do not see what conclusion is justified if a local loan is a failure other than that the investing public lack faith—(Mr. Vasey: What about negotiable power?)—assuming the loan is readily marketable.

While on the subject of loans, I associate myself warmly with the view of the hon. Member for Nairobi South that the Railway Administration should be able to borrow on the security of its present assets. I sincerely hope it will be possible to do this. In the meantime, we are saddled with the existing railway debt which we cannot get rid of because of our obligations to the bond holders. On the subject of conversion, I hope it will be possible to convert all our existing loans in so far as we cannot redeem them as and when they fall due. Hon. members may be interested to know, if they do not know already, that we have just carried out a very satisfactory conversion of a portion of the 1921 loan, which we have converted from a rate of interest of 6 per cent to an effective 2-7/8ths per cent (hear, hear), a matter of £1,800,000.

Native taxation. There is very little for me to say on this subject which has been fairly fully discussed, but I am indebted to the hon. member Archdeacon Beecher for pointing out that the fiscal obligations of the African are by

no means confined to the payment of poll tax, but that he pays large sums in local rates and also in the form of indirect revenue from customs and excise duties.

I appreciate what the hon. member Mr. Mathu said that the three commissions have found great difficulty over a period of years in forming any sound conclusions regarding the wealth in the native areas because of the lack of accurate statistical data. That is true, but nevertheless it cannot be denied that there are a number of Africans who are more well to do than the great majority of the population, and I personally feel that they should make a greater contribution to the revenue, and I hope it will be possible to arrange that.

On the point raised by the hon. Member for Nairobi North regarding Africans in urban areas, I have already informed the Finance Committee of Nairobi Municipal Council that I should be prepared to advise you, sir, to agree to a system of rates on Africans in urban areas in order to help maintain and develop their extensive social services which are being developed now by progressive local authorities. We await the proposals of the Nairobi Municipal Council.

Betting. I was a little surprised to find so little approval of my suggestion of a tax on betting. The hon. Member for Nairobi South said he was rather averse to a tax on betting on local races, though he felt it was legitimate to tax bets made on races which took place in England. He also said the racing public locally was small, and that it was desirable to foster a bloodstock industry. I agree with him entirely as to the desirability of fostering the bloodstock industry, but I cannot agree with him that the racing public in this country is small. The hon. member himself is, I think, too wise a bird to go to the races. At any rate, I have not seen him there, and he is all the better for that. But his colleague, the hon. Member for Nairobi North, is a regular patron of the turf like myself, and I feel he would agree that the racing public in this country is considerable, and in Nairobi at any rate it taxes the facilities of the Jockey Club to the full.

The hon. Member for Nairobi South went on to indicate that in his view we should start a system of State lotteries.

(Mr. Troughton)

I personally feel that that should be turned down without any reference to the gentleman who travels on the underground from Balham, on the ground introduced by a variety of speakers, notably the hon. member Archdeacon Beecher. The same thing very largely applies to the suggestion of the hon. Member for Mombasa of a casino at the port, with probably a chain of subsidiary casinos scattered throughout the country. (Laughter.) I submit that there is really nothing of a humbug or sanctimonious or hypocritical character in stating frankly that casinos are not wanted in this country. It is inevitable there will be gambling, you cannot stop that, and where it exists in an obvious form such as a racecourse it is legitimate, I submit, for Government to discourage it by taxing it, but I see no reason at all why the State, which is responsible for the welfare of society, as we hear every day in this Council, should take an active part in encouraging gambling in a country of mixed races, which is exactly what we would be doing if we sponsored a series of state casinos, even though that might make my task very much more simple.

I do not feel that I need speak any longer. All that it is necessary to do is to assure hon. members that we have listened to what they have had to say with care. It will all be available on record in Hansard and Government will bear it all in mind in framing its budget policy, but, as I said before, I cannot lead hon. members up the garden path. It will not be possible to please everyone and I only hope it will be possible to please someone.

I seek the leave of Council to withdraw this motion.

The motion was by leave of Council withdrawn.

ADJOURNMENT

Council adjourned till 11 a.m. on Tuesday, 22nd October, 1946.

WRITTEN ANSWERS TO QUESTIONS

No. 34—FAMINE SUBSIDIES

SIR ALFRED VINCENT:

(a) Will Government state the approximate cost per annum to the taxpayer involved in the sale of foodstuffs at a special price in native areas in the form of a subsidy because of the famine conditions prevailing in those areas?

(b) Is any famine relief being given without payment in any area?

(c) Is there any obligation on the part of the recipients, either under (a) or (b) above, to undertake any work, either for the community or in the ordinary course of employment, in return for the relief afforded them?

REPLY:

(a) The net cost to Government in respect of subsidized foodstuffs for famine relief is as follows:—

1943 £17,108.

1944 £139,182.

1945 £89,210.

The only area where food is now supplied below the normal controlled price is in the Machakos District, which for the last few years has not been self-supporting. The issue amount to about 3½ lb. per head per week, or one-third of a normal full ration.

(b) Food for famine relief is issued free in Turkana, where emergency provision is made for certain aged women and children when local supplies of fish are not available. During 1945 100 bags were issued for this purpose.

(c) In the Machakos District large bush clearing schemes are being undertaken and labour is paid partly in cash and partly with food. In addition the Akamba are required to carry out communal work on terracing and reconditioning.

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