

1911

EAST AFR. PROT.

C O
23875



2 3 8 7 5

Recd
R/S 21 JUL 11

Treasury

Date.

Loan. £250,000

2 July

previous Paper.

23397

Will not further press suggestions regarding repayment & assents to Co. method of repayment subject to modifications indicated.

Mr. ~~Reed~~ *Fieldes*

We have carried our main point, namely, that the whole of the net receipts from the works carried out from loan funds shall not be devoted to the earlier repayment of the loan, but shall, to the extent of one-half, enable the Protectorate to increase its ordinary expenditure. In the last sentence the Treasury make a reservation which seems to me to be ~~very~~ reasonable, namely, that if the ordinary revenue of any year is lower than that of the preceding year, the net receipts from the loan works shall be devoted, so far as they will go, to make up the deficiency in ordinary revenue before they are applied to justifying an increase of expenditure. It would of course be an absurd situation if, while the ordinary revenue shows a decrease, the excess of the receipts from the loan works over working expenses should be held to justify an increase in the ordinary expenditure of the Protectorate. [1

should

copy comes for 4/5, 25 Aug

subsequent Paper

23397

should explain that, so far as I am aware, the half and half principle applies only to an increase of revenue, that is to say, an increase of the ordinary revenue justifies an increase of the ordinary expenditure of one half the amount, but a decrease of the ordinary revenue is not necessarily ^{to be} accompanied by any fixed decrease of the ordinary expenditure from the amount sanctioned in the previous year. *It would naturally be accompanied by such a decrease of expenditure as could be arranged, but this is no part*

The Treasury statement in paragraph 4 of their letter as to the effect of our proposal is not, I think, quite accurate. We proposed in any case, to find the loan charges within the limits of the half and half principle, and only to keep the receipts and working expenses of the loan works outside that principle. The Treasury statement would have the effect of keeping the whole account of the loan works, including the loan charges, outside the half and half principle. The result would be identical so long as the gross receipts from the loan works were less than, or only equal to, the working expenses. But, as soon as the gross receipts exceeded the working expenses, the Treasury statement of the case would be more favourable to the Protectorate. This will be seen from the following illustration:-

The loan charges will be £11,250. We may assume for the sake of simplicity that the ordinary revenue of the Protectorate remains stationary. Let it also be assumed that the gross receipts ^{interest} from the loan works ^{in the year in question} are £20,000 and the working expenses £15,000.

Under our proposal the Protectorate would have to find the loan charges, namely £11,250, by foregoing ordinary expenditure to that amount, but would also be entitled to raise the ordinary expenditure by £2,500, namely, half

the

the excess of receipts over working expenses in connection with the loan works. The net result would be that the Protectorate would have to forego £8,750 of its ordinary expenditure in order to meet the service of the loan. Under the Treasury proposal the gross receipts of £20,000 would first of all be set off against the loan charges and the working expenses together, namely, £26,250, and the Protectorate would have to find out of its ordinary expenditure the balance, namely, £6,250. On these particular figures, therefore, the Protectorate would benefit to the extent of £2,500 by the Treasury statement of the arrangement.

It is rather a fine point whether we should be justified in simply accepting the alternative formula proposed by the Treasury without calling their attention to what appears to be an oversight on their part. As, however, they show by the wording of the letter that they consider the two arrangements to be absolutely *the same* ~~inadequate~~ ^{in their results} and propose their alternative formula on this basis, I think we must say something about it, although I do not think we need go so far as to give them a lesson in arithmetic. I would suggest that we should reply that the alternative formula does not appear to Mr Harcourt to have ^{in all cases} precisely the same results as the proposal made by us, but that he is prepared to accept it if the Treasury still express a preference for it.

And add that he accepts the condition made on the last page of their letter with a view to the contingency of a decrease in the ordinary revenue of one year below that of the preceding year.

A copy of the correspondence should go to the Governor for his information.

HAB
Aug 12
H. J. R.
12/8
T.O.

It will be sufficient to cover

at once P.M. 14

In reply to this letter the following Number should be quoted.

C O
2575
TREASURY CHAMBERS.

13089
11

20th July 1911.



Sir,

Handwritten marks

I have laid before the Lords Commissioners of His Majesty's Treasury Mr. Fiddes' letter of the 5th instant (17589/1911) further relating to the loan of £250,000 to be made from Imperial funds to the Government of the East Africa Protectorate.

2 In reply I am to state that, while My Lords regret that Mr. Secretary Harcourt does not see his way to accept in full the proposals contained in the letter from this Department of the 29th May last concerning the method of repaying the loan, They will not further press Their suggestions on this occasion.

3 My Lords assent accordingly to the method of repayment recommended in the third paragraph of the letter under reply subject to the following modifications.

4. The effect of Mr. Harcourt's proposal as They understand it is the same as if the whole of the net receipts from the loan undertakings over and above the amount required to meet working expenses and the loan charge were added to the ordinary Protectorate revenue and this amount were equally apportioned between increasing expenditure on the one hand and reducing the grant in aid on the other. This alternative formula appears to Their Lordships to be somewhat simpler in its operation and, if the Secretary of State sees no objection, They would suggest its adoption. In any event, however

Under Secretary of State,
Colonial Office.

Handwritten initials and numbers

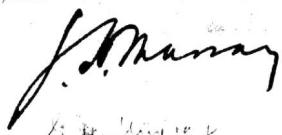
2215-20

however, My Lords must make it a condition of Their assent to the arrangement, that, if the ordinary revenue of any year should show a decrease below that of the preceding year, the amount of such decrease shall be made good out of the surplus earnings so far as they will go, and that only the balance (if any) thereafter remaining shall be applied to increasing expenditure in the manner described. In other words My Lords consider that the amount of the net earnings should be included in the ordinary revenue of the Protectorate before the expenditure is calculated under the half and half principle.

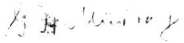
I am, Sir,

~~Sir,~~

Your obedient Servant,



A large, stylized handwritten signature in black ink, appearing to read 'J. Murray'.



Faint handwritten text below the signature, possibly a name or title, which is difficult to decipher due to fading.

1728

8450

DRAFT.

SECRETARY TO
THE TREASURY.

Downing Street,



19 August, 1911.

DATE.

Letter 16 Aug.

Read 16
Hides
Just
Lucas
Anderson

Lucas
Harcourt

Sir,

I am directed by Mr Secretary Harcourt to acknowledge the receipt of your letter No. 13089/11 of the 20th July relating to the loan of £250,000 to be made from Imperial funds to the Government of the East Africa Protectorate.

Str. 465 23 Aug.

60/1

2. Mr Harcourt is glad to learn that the Lords Commissioners of the Treasury do not propose to press their suggestion that the net receipts from the loan works should be devoted to the earlier repayment of the loan. He accepts

-952-20 + No 17589

accepts the ~~unusual~~ formula proposed by their Lordships in connection with the accounts of the loan works, namely, that the accounts of the loan works ~~shall~~ ^{shall} be kept separate from the ordinary accounts of the Protectorate, and that the whole of the net receipts from the loan undertakings over and above the amount required to meet working expenses and the loan charges shall be added to the ordinary Protectorate revenue, and that this amount shall be equally apportioned ~~bet-~~ ^{between} increasing expenditure on the one hand and reducing the grant-in-aid on the other.

3. He also accepts their Lordships' condition that, if the ordinary revenue of one year should show a decrease below that of the preceding year, the amount of such decrease shall be made ^{good} out of the net receipts ^{from} ~~of~~ the loan undertakings, so far as they will go, and that only the balance, if any, thereafter remaining shall be applied to increasing expenditure in the manner described.

I am, etc.,
H. J. Read

Treas/23875/1911.

Free

3

DRAFT.

Downing Street,

EAST AFRICA PROTECTORATE. L.O. 465
Governor,

23 August, 1911.

COL. SIR PERCY GIBBOUD, K.C.M.G., D.S.O., R.E.



om

MINUTE.

Sir,

16 Aug.
Read 16
Just.
Lucas.
Anderson.
Lucas.
Harcourt.

Ans. 3/2/09

(on ready 17589)

I have the honour to transmit to you, for your information, with reference to my despatch No. ³⁷⁰ ~~870~~ of the 6th July last, a copy of further correspondence with the Treasury relating to the loan of £250,000 to be made from Imperial funds to the Government of the East Africa Protectorate.

I have, etc.,

L. Harcourt

copy July 20 23875

*to Treasury 19 Aug. 1911
off. Harcourt*

(fts)

+ 17589

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