1911

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333/38

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Mr. Fiddes,

Paragraphel. & 2. The Treasury criticismas to the arrangements for remittance strike one as rather niggling, but I cannot dispute their accuracy.

Paragraph 3. I pointed out on Gov/33388 that nothing was said as to voluntary deposits.

Paragraph 4. For the reasons stated in my minute on 33338, I think we should be justified in pressing for the increase of the third benus to 30% of the compulsory deposits. But I would not do this until we have the other information which the Treasury want.

Paragraph 5. We must enquire of the Protestorate as to the arrangements for the repayment of working expenses.

We shall not lose anything by sending this letter out to the Protectorate for their observations and for the information which the Treasury desire. Time has a way

of smoothing over difficulties of this kind, and we shall probably find that it is much easier to tackle the Treasury on the receipt of the Covernor's reply than to attempt to go into these details here and return som to of an answer.

So send the Governor a copy of our letter to the Treasury and of this reply and ask for his observations and for the information required.

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In the reply to this Letter the following Number should be quoted. 2

37762

TREASURY CHAMBERS

20137

23 November 1:11

Sir,

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I have laid before the Lords Commissioners of His Majesty's Treasury Mr. Fiddes' letter of the lat instant (33338/1911), and the accorpanying copy of a despatch from the Governor of the East Africa Protectorate relating to the disposal of the monies of the Provident Fund of the Uganda Railway, and I am to request that the following observations may be submitted to Mr. Secretary Harcourt.

- 1. It would appear from paragraph 6 of the Governor's despatch that no separate account will be kept at the Bank in respect of the Fund, and in these circumstances My Lorda are not clear how effect can be given to the requirements contained in Their letter of the 21st June 1910 (8294/10), that the costs of remission should be charged to the Fund.
- 2. It is apparently intended to reduce expenses of this character by authorising the Crown Agents to make the necessary investments and to charge the amount involved to the general grant for the Protectorate. I am to observe, however, in the first place that this source would only be practicable for such period as the grant in aid was available for expenditure in this country, but that if, as My Lords understand is not infrequently the case, the Protectorate's expenditure in this country exceeds the amount of the grant, it would of course be necessary to have

Under Secretary of State, Colonial Office. have recourse to remission. In any event, however, such a procedure as that suggested would necessitate the issue of the grant-in-aid at an earlier date than would otherwise have been required, with a consequent loss of interest to the Imperial Exchequer.

In these circumstances it appears to Their Lordanips that whether the sums to be invested are actually
remitted through the Bank in the Ordinary way of the procedure proposed by the Governor is adopted, steps should
be taken to secure that the full cost of the transaction
falls upon the Fund and that the Exchaquer is not burthened.
This end might perhaps be attained by taking, in cases
where the actual cost cannot readily be calculated, an
average figure as the charge for remittance; or, if preferred, it might be arranged that there should always be
an interval of (say) one month between the date of deduction and the investment of the sums deducted so as to
admit of the money seing actually remitted, if required.

- 3. No arrangements appear to have been prescribed for dealing with voluntary deposits, and M. Lords would enquire how it is intended to provide for these (especial regard being had to the greater probability of withdrawals, in these cases).
- 4. On the information before Them My Lords see no sufficient reason for ingreasing the minimum percentage of the third bonus. The Secretary of State will of course remember that under the scheme approved by the Treasury Letter of the 23th May 1908 (4817) this percentage will automatically grow, with the growth of the Fallway earnings.

5. In conclusion I am to enquire what measures it is intended to adopt to secure and account for the repayment of working expenses. Under the scheme proposed by Mr. Currie in the enclosures to Colonial Office letter of the 2dth November 1967 (40056/1907) the difference between the interest earned on deposits and that paid to depositors was to be accumulated for a period of years, and if this scheme is to be adopted My Lords would wish to learn how the accumulations of interest will be dealt with as they accure.

I am to observe, however, that in Their Lordships' opinion it would be preferable on general grounds as well as more consonant with the established procedure in this country that the sums thus set aside should be merged in the general revenues of the Protectorate (and not separately accumulated) due care being taken to ensure that they are sufficient to secure the solvency of the fund.

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Your chedient Servant,

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