

COLONY AND PROTECTORATE OF KENYA.

LEGISLATIVE COUNCIL.

CIVIL AVIATION.

EXPENDITURE ON GROUND SERVICES.

I.

Post-War History: Financial Negotiations with Her Majesty's Government.

The post-war development of Civil Aviation has entailed the provision of, not only aerodromes and aerodrome facilities, but such ground services as air traffic control, aeradio, meteorological information, etc. The question of how these services should be financed in Colonial territories soon arose and, after a Colonial Civil Aviation Conference in London in 1947, the Secretary of State commended the following formula to Colonial administrations:-

- (1) Colonial administrations should be primarily responsible for the construction, maintenance and operation of civil aviation works and services in their territories;
- (2) The Colonial government should normally be responsible for the constructional work involved;
- (3) The Colonial administration's share of the cost, both capital and recurrent, of civil aviation works and services should be assessed in the light of the following factors:
 - (a) the cost of the civil aviation facilities which would have been maintained had there been no trunk service or Royal Air Force requirement ;
 - (b) the estimated value to the Colony of the presence of the trunk staging post;
- (4) In order to arrive at a financial arrangement under which the necessary work could be put in hand, a provisional assessment of the division of cost, both capital and recurrent, as between Her Majesty's Government and the Colonial administration concerned should be made in the first instance for a fixed period and reviewed subsequently in the light of developments. The

provisional assessment should cover all the costs incurred in any Colonial territory with separate assessments, where necessary, for capital and recurrent expenditure.

The Secretary of State also suggested that Colonial contributions should be calculated as percentages of the total and not fixed sums.

2. The Government of Kenya did not feel justified in accepting this formula unreservedly, its view being that, while the formula might be useful as a general guide, it could not be usefully applied in practice because (a) it was impossible to estimate the value to the Colony of the provision of trunk services, and (b) it did not take into account the Colony's capacity to pay. It was also considered impracticable to ask the Legislature to contribute any percentage of the cost of trunk service facilities.

3. A mission from the Ministry of Civil Aviation visited Kenya in June, 1948, to negotiate financial agreement and, after considerable argument, the following formula was finally suggested:-

- (1) The East African territories to pay 100% of "Local Services";
- (2) The cost of "Trunk Services" to be divided between the Ministry of Civil Aviation and East Africa in proportion 75% - 25%;
- (3) The cost of "Common Services" to be shared conversely at 25% - 75%.

The Government of Kenya could not accept this apportionment of costs and the Mission departed without any agreed solution. It was, however, decided that the East Africa High Commission should prepare a paper showing the estimated cost of the ground services required for Civil Aviation in East Africa.

4. It must here be explained that an East African Directorate of Civil Aviation had already been established under the High Commission, the headquarters staff of which was being paid by the East African territories in the proportion: Kenya, 6/13ths; Tanganyika, 4/13ths; Uganda, 2/13ths; Zanzibar, 1/13th. There was, and is, no question of Her Majesty's Government contributing to the cost of this Directorate Headquarters but, under the proposals set forth herein,

Kenya's /

Kenya's contribution is reduced to 33% with effect from 1951.

5. The provision, maintenance, equipment and management of aerodromes in each territory, including fire-fighting services on aerodromes, are moreover the responsibility of the territory concerned, to which landing fees accrue according to a revised uniform scale of aerodrome charges introduced last year. (Special conditions apply to Eastleigh airport, which is an R.A.F. aerodrome). Expenditure on aerodromes as such does not therefore fall within the purview of this paper. Funds for the construction and improvement of aerodromes in Kenya are provided in the estimates of the Development and Reconstruction Authority and for maintenance and management in the Colony's annual budgets.

6. The Ground Services referred to in paragraph 3 are those relating to the safety of aircraft in the air and comprise a Flight Information Centre for East Africa, dissemination of meteorological information, use of navigational aids to aircraft and approach and aerodrome control. For the purpose of the negotiations with Her Majesty's Government it has been found necessary to distinguish between those services which would be required in any case for local civil aviation based in East Africa, those which are needed solely for international trunk route aircraft and those which serve a common purpose. Hence the expressions "Local Services", "Trunk Services" and "Common Services".

7. In accordance with the decision reached with the Ministry of Civil Aviation Mission (vide para.3), an inter-territorial, fact-finding committee was appointed with Sir George Sandford as Chairman. The report of the committee which was circulated to the members of the Legislative Council and released to the Press in March, 1949, estimated the cost of East African civil aviation ground services, plus the cost of the basic meteorological service for other purposes with which they were bound up, as follows:-

	<u>Local</u> £	<u>Common</u> £	<u>Trunk</u> £	<u>Total</u> £
Capital	157,000	137,000	91,000	385,000
Recurrent	105,000	88,000	66,000	259,000

The report was considered by the High Commission which directed that it should, in the first place, be examined at a Financial Secretaries' Conference with a view to estimating broadly what the territorial liabilities were likely to be.

8. As a result, the Finance Member of the East Africa High Commission produced a set of proposals, since known as the "Mundy formula", which can be summarised as under:-

- (1) Local Services: Each territory to bear the cost of its own services.
- (2) Trunk Services: The cost to be met entirely by the Ministry of Civil Aviation.
- (3) Common Services: Half the cost to be met by the Ministry of Civil Aviation and half by the East African territories in the same proportions as they then contributed to the headquarters of the Directorate of Civil Aviation, viz. -

Kenya	-	6/13ths
Tanganyika	-	4/13ths
Uganda	-	2/13ths
Zanzibar	-	1/13th.

Assistance from the Colonial Development and Welfare Fund towards the cost of running the Meteorological Department and for meteorological equipment was envisaged, and this assistance has since been obtained.

9. On the basis of the Sandford report, the allocation of annual recurrent expenditure under the "Mundy formula" would have been:-

	<u>Kenya</u>	<u>Tanganyika</u>	<u>Uganda</u>	<u>Zanzibar</u>	<u>C.D.& W. & Others</u>	<u>H.M.G.</u>	<u>Total</u>
	£	£	£	£	£	£	£
Local	28,300	45,700	9,700	7,800	13,500	-	105,000
Trunk	-	-	-	-	-	66,000	66,000
Common	20,300	13,550	6,800	3,350	-	44,000	88,000
	<u>48,600</u>	<u>59,250</u>	<u>16,500</u>	<u>11,150</u>	<u>13,500</u>	<u>110,000</u>	<u>259,000</u>

Capital expenditure would have worked out at:-

	<u>Kenya</u>	<u>Tanganyika</u>	<u>Uganda</u>	<u>Zanzibar</u>	<u>C.D.& W.</u>	<u>H.M.G.</u>	<u>Total</u>
	£	£	£	£	£	£	£
Local	24,500	81,500	-	5,750	37,000	-	148,750
Trunk	-	-	-	-	-	65,250	65,250
Common	27,925	18,625	9,300	4,650	-	60,500	121,000
	<u>52,425</u>	<u>100,125</u>	<u>9,300</u>	<u>10,400</u>	<u>37,000</u>	<u>125,750</u>	<u>335,000</u>

x) Meteorological Housing 50,000
£385,000

x) Division of Expenditure to be agreed.

10. The "Mundy formula" and its financial implications were laid before the Kenya Standing Finance Committee in September, 1949, with a recommendation that the proposals be adopted as a basis for further negotiations with Her Majesty's Government, on the understanding that:

- (a) Kenya's maximum recurrent contribution would be of the order of £50,000 a year;
- (b) Kenya's capital contribution would be of the order of £52,500 plus an appropriate share of the capital expenditure on meteorology;
- (c) In the event of Her Majesty's Government being unwilling to finance the balance of the expenditure envisaged in the Sandford report, the services would be scaled down to whatever level was practicable in the light of the total funds available.

The Standing Finance Committee recommended approval of the "Mundy formula" as a reasonable basis for the recommencement of negotiations with Her Majesty's Government.

11. With the concurrence of the other territories, the Commissioner for Transport transmitted the "Mundy" proposals to the Colonial Office in December, 1949, as the limit to which the East African Governments were prepared to contribute and requested that, if the Ministry of Civil Aviation could not see its way to contribute on this basis, a small technical committee should be sent out to discuss with the technical officers engaged in civil aviation in East Africa the services which should be rendered within the financial compass of the contributions by the East African Governments plus the contribution which Her Majesty's Government was willing to make.

12. No material progress was made in the negotiations during 1950, by the end of which substantial liabilities had accrued for air traffic control and aeradio services not included in the annual estimates of the High Commission pending a financial settlement with Her Majesty's Government. Since the end of the war, the bulk of the cost of these services had been charged to Suspense Accounts. Ground services for civil aviation were provided initially as a matter of urgency by the British Overseas Airways Corporation, the Air Ministry and the Ministry of Civil Aviation and later through the Posts and Telecommunications Administration and the Directorate of Civil Aviation. This expenditure has ultimately been transferred to accounts with the Ministry of Civil

Aviation, the Posts and Telecommunications Administration and the Director of Civil Aviation, the balances of which aggregated £411,000 at the end of 1950. Of this sum £220,000 has been borne by Her Majesty's Government and £191,000 by East Africa (£119,000 by the Posts and Telecommunications Administration for aeradio services and £72,000 by the Directorate of Civil Aviation for air traffic control). It should be noted here that the Directorate took over control of the aeradio services from the Posts and Telecommunications Administration in January, 1951.

13. In August, 1950, the Ministry of Civil Aviation sent out a technical officer (Mr. Capsey) to draw up, in conjunction with the Directorate of Civil Aviation, revised costed plans for minimum ground facilities for trunk route operations. The report which Mr. Capsey submitted to the Ministry took into account the changes which had taken place in the scope of the services since the Sandford report was prepared and, although he arrived at a different apportionment, his figures disclosed a fairly close measure of agreement at technical level on the expenditure required to provide the services for all concerned.

14. The outcome of this report was an invitation for the Finance Member and the Financial Secretaries of the East African territories to attend a meeting with representatives of the Colonial Office and Ministry of Civil Aviation in London in June, 1951, to arrive at an agreed apportionment of costs between Her Majesty's Government and East Africa.

II.

Terms of the London Agreement in June, 1951.

15. The meeting, which was attended by members of the Colonial Office and Ministry of Civil Aviation and representatives from the Air Ministry and Her Majesty's Treasury, was held under the chairmanship of Sir Andrew Cohen. Mr. J.C. Mundy was the principal spokesman for East Africa and Mr. C.W. Evans for the Ministry of Civil Aviation. Kenya was represented by Mr. V.G. Matthews, then Financial Secretary.

16. The Ministry of Civil Aviation adhered to the principle of the Colonial formula (detailed in para. 1) under which the benefit which East Africa derived from Trunk Route Aviation Services should be taken into account, but their representatives approached the matter with sympathy and understanding of East Africa's problems and negotiated a settlement with generosity and goodwill. They accepted that Her Majesty's Government should meet the full cost of the "Trunk Services" provided in East Africa but could not accede to the "Mundy" proposal that 50% of the "Common Services" should be charged to the

United Kingdom. It was eventually agreed that Her Majesty's Government would meet 25% of the "Common Services", the East African Governments paying the other 75% plus the cost of all "Local Services".

17. The main consideration from the point of view of the East African Governments was that they should not be committed to expenditure on the provision of services which were the subject of international agreement and over which they had no effective control. This has been assured firstly by the Ministry of Civil Aviation assuming full financial responsibility for the "Trunk Services" and, secondly, by agreement at the meeting that personnel and equipment for "Common Services" should be subject to mutual approval. The East African Governments will therefore be in a position to control the use of expensive apparatus for "Local Services". Further, as the settlement is based on personnel and equipment at present provided, the commitment is clearly limited and can be adequately controlled in the future. As a result of the settlement, the Ministry is enabled to proceed in the provision of special equipment to meet the changing requirements of the Trunk Route Aviation Services such as those arising out of the introduction of the Comet aircraft.

18. While it was appreciated that the settlement negotiated was not as advantageous to East Africa as the "Mundy" proposals which had been accepted by the East African Governments in 1949 as a reasonable basis for further negotiations with Her Majesty's Government, the East African representatives felt that the Ministry of Civil Aviation was doing everything possible to assist in arriving at a settlement of this long standing matter, the protraction of which was seriously affecting the efficiency of civil aviation ground services in East Africa, and that the basis of the agreement reached was reasonable. It also seemed that, apart from increased costs such as those in respect of cost of living allowances which would in any event have to be accepted, the total liability falling upon the East African Governments in 1951 would approximate closely to the limits which had been fixed in 1949. (It will be seen from paragraph 50 in Part V. of this paper that Kenya's contribution to recurrent expenditure in 1951 is £57,194.)

19. It should be added that the agreement is to run for five years from 1st January, 1951, but it is open to either party to request a review if there is a major change in the circumstances in the interim.

20. With regard to the balances outstanding in Suspense Accounts at the end of 1950 referred to in paragraph 12 above, it was estimated at the meeting in London that 44% of the expenditure on civil aviation ground services (excluding basic meteorological services which are non-aviation) in 1951 would be borne by Her Majesty's Government and 56% by the East African Governments and, in the absence of any data on which to base

this ratio to past expenditure. On this basis, the United Kingdom share of £411,000 is £181,000 and the East African share £230,000, but on the approximate figures available at the meeting the liability of Her Majesty's Government was fixed at £179,000. It was accordingly agreed that, since £220,000 had been expended from United Kingdom funds, the East African Governments should pay over to the Ministry of Civil Aviation a round sum of £41,000 in final settlement. It was appreciated that there might be certain variations in the final figures at each end but these were to be regarded as having been taken into account and would not involve any further adjustments. The agreement on past expenditure is part and parcel of the overall settlement and has been recommended by the Finance Member of the High Commission for acceptance by the East African Governments.

21. The East African liability for outstanding expenditure up to the end of 1950, after final adjustments when the 1950 accounts were closed, is as follows:-

Posts and Telecommunications	
Suspense Account	£119,160. 5. 04.
Directorate of Civil Aviation	
Suspense Account	£ 72,161.16. 64.
Due to Ministry of Civil Aviation	
.....	<u>£ 41,000. 0. 0.</u>
 Total Liability	 <u>£232,322. 1. 68.</u>

plus £70,400. 13. 36 on a Meteorological Suspense Account, which is referred to in Part IV (B) of this paper. The other territorial Governments have approved the terms of the London agreement, both as to past expenditure and basis of apportionment from 1951 onwards, but the settlement has not previously been submitted to the Legislative Council for ratification, as agreement on the inter-territorial apportionment of the East African share of the costs has only recently been achieved.

III.

Principles of Apportionment of East African Share of Costs agreed among the East African Territories.

(A) - Directorate of Civil Aviation.

22. It was proposed in the "Mundy formula" of 1949 (vide para.8) that the four territories should each bear

the cost of its own "Local Services" and share the East African portion of the cost of "Common Services" on a (Kenya) 6/13ths/ (Tanganyika) 4/13ths/ (Uganda) 2/13ths/ (Zanzibar) 1/13th basis. These fractions had been agreed at an inter-territorial meeting held in Nairobi in October, 1946, as the basis on which the headquarters office of the Directorate of Civil Aviation should be financed, but it has become apparent since then that they are not entirely satisfactory and operate to Kenya's disadvantage.

23. A new method of evaluating the services to each territory was accordingly worked out. By a system of unit valuation of posts, it was found possible, for all practical purposes, to allocate expenditure in relation to work performed, on the assumption that services and benefits can be measured by the type and numbers of personnel disposed, since air traffic control and aeradio services are essentially manpower services as distinct from services dependent upon consumable material; in other words, expenditure follows and is directly dependent on personnel. To this end, all posts in these two services have been evaluated in units on the basis of the relative average costs of salary, housing, pensions, passages, etc., and each airport has been given a unit valuation according to its postings. Thus, Tabora having two Air Traffic Control Officers, two African Air Traffic Control Assistants, two Radio Officers and three African Radio Operators is valued at $78\frac{1}{2}$ units as compared with Kisumu at $36\frac{1}{2}$ units to represent two Radio Officers, three African operators and two African Air Traffic Control Assistants.

24. By summarising the unit valuations after allocating personnel to "Local", "Common" or "Trunk" Services according to the duties performed, it has been possible to arrive at a basis of apportionment in terms of the units pertaining to each Government, viz:-

	<u>Air Traffic Control</u>	<u>Aeradio</u>
<u>United Kingdom</u> (Total Trunk and 25% units of Common Airports)	268 $\frac{1}{4}$	303 $\frac{3}{4}$
<u>Kenya</u> (Local Airports and 75% Common Airports in Kenya)	106 $\frac{1}{2}$	84 $\frac{3}{4}$
<u>Tanganyika</u> (Local Airports and 75% Common Airports in Tanganyika)	81 $\frac{3}{4}$	271 $\frac{1}{4}$
<u>Uganda</u> (Local Airports and 75% Common Airports in Uganda)	31 $\frac{1}{2}$	41 $\frac{1}{4}$
<u>Zanzibar</u> (Local only)	42	3
<u>Flight Information Centre</u> (Common to all above)	128	245 $\frac{1}{2}$
Total Units:	<u>658</u>	<u>949$\frac{1}{2}$</u>

25. This provides a workable and appropriate basis of apportionment of costs in relation to services performed and benefits derived which is adjusted annually by reference to the personnel actually employed. The allocation of the costs of the operational services of Air Traffic Control and Aeradio for 1951 was made on the basis of the fractions indicated above, e.g. the United Kingdom bears $268\frac{1}{4}/530$ plus 25% of F.I.C. cost evaluated on the point system of Air Traffic Control costs and $303\frac{3}{4}/704$ plus 25% of F.I.C. cost evaluated on the point system of Aeradio costs, including the purely "Trunk" portion of the Flight Information Centre but excluding the "Common" portion of the Centre which is treated separately. For the Flight Information Centre (Common) the United Kingdom bears the agreed 25%, the remaining 75% being apportioned among the East African territories on a different formula explained in paragraph 28 below.

26. The liability for capital equipment is determined according to whether the equipment is, in fact, used for "Trunk", "Common" or "Local" services and is apportioned as follows:-

- (a) Equipment required solely for "Trunk" or "Local" purposes is charged directly to the Government concerned.
- (b) Equipment for the "Common" portion of the Flight Information Centre is charged $\frac{1}{4}$ to Her Majesty's Government; $\frac{3}{4}$ to the East African Governments in the same proportion as the recurrent cost of the Centre is borne (vide para.28).
- (c) Other "Common" equipment is charged $\frac{1}{4}$ to Her Majesty's Government; $\frac{3}{4}$ to the Government in which the station is situated.
- (d) Minor equipment, test equipment and the provision for unallocated renewals are divided in proportion to the value of existing equipment, viz. -

H.M.G. Trunk and $\frac{1}{4}$ Common	137 units
Kenya	38 -
Tanganyika	125 -
Uganda	15 -
Zanzibar	4 -
	<hr/>
Total ..	319 units
	<hr/> <hr/>

Final allocation of the renewals expenditure is made at the end of each year by reference to the stations at which the equipment is actually installed.

27. Subject to certain minor adjustments in the case of Zanzibar, it was originally proposed that the territorial contributions to the cost of the "Common" portion of the Flight Information Centre and, from 1952 onwards, to the headquarters office of the Directorate of Civil Aviation should be made on the same unitary basis as for the Air Traffic Control and Aeradio services, and the 1952 estimates were prepared (and accepted by Kenya) on this principle. The Tanganyika Government raised objections to this, however, and an inter-territorial committee was appointed under the chairmanship of the Finance Member of the High Commission to examine the question.

28. At a meeting in January, 1952, this Committee agreed that the cost to East Africa of running the "Common" portion of the Flight Information Centre should be apportioned according to the number of landings and take-offs in each territory at aerodromes under the control of the Directorate of Civil Aviation. The work of the Headquarters Office was analysed and the cost of each section also apportioned on a practical and appropriate basis. As a result, the Committee recommended that recurrent expenditure should be allocated as follows:-

	<u>Flight Information Centre (Common)</u>	<u>Headquarters Office</u>
Kenya	42%	33%
Tanganyika	41%	43%
Uganda	9%	21%
Zanzibar	8%	3%

The Committee also recommended that these apportionments should apply, not only to the estimates for 1952 and subsequent years, but also to the supplementary estimates for 1951 covering the Air Traffic Control and Aeradio services and for the purpose of clearing the Suspense Accounts as at the end of 1950. The statistics upon which the percentages had been arrived at should, however, be reviewed continuously and the Governments informed in the event of any material changes taking place.

29. After prolonged negotiations, all the other territories have now approved the principles set out in this part of the paper and it remains for Kenya to signify its acceptance if the Legislative Council agrees.

(B) - Meteorological Department.

30. For the purpose of apportionment, the estimates of the East African Meteorological Department need to be sub-divided into --

- (1) The basic agricultural and climatological service.
- (2) Addition for internal air service.
- (3) Trunk air service.

Her Majesty's Government meets the cost of (3) and 25% of (2) which is regarded as a "Common Service". The East African territories contribute to the cost of (1) in the agreed proportions of:-

Kenya	37%
Tanganyika	34%
Uganda	26%
Zanzibar	3%

This apportionment has been reviewed by the Director who is of the opinion that it represents as fair and reasonable a division of the expenditure as can be worked out.

31. In the absence of any more appropriate formula, it is proposed that the East African share of (2), which is a comparatively small amount, should be allocated on the same basis as (1), and this has also been accepted by the other territories.

IV.

Outstanding Expenditure up to the end of 1950.

(A) - Air Traffic Control and Aeradio Services.

32. As stated in paragraph 21, the East African liability for outstanding expenditure on civil aviation ground services (exclusive of meteorology) as at the end of 1950 is £232,322. 1. 68.

33. As in the case of the settlement with the Ministry of Civil Aviation, there is no alternative but to agree upon an arbitrary division and it is proposed that the percentage contributions which the Governments will make towards the 1951 recurrent expenditure on

Air Traffic Control and Aeradio Services in accordance with the principles of apportionment explained in Part III(A) of this paper should be adopted. Application of this proposal results as follows:-

Kenya	31.2%	£72,484.	1.	68
Tanganyika	52.7%	£122,434.	0.	0.
Uganda	10.2%	£23,697.	0.	0.
Zanzibar	5.9%	£13,707.	0.	0.
		<u>£ 232,322.</u>	<u>1.</u>	<u>68</u>

34. The Posts and Telecommunications Suspense Account (with a balance of £119,160. 5. 04 on 31st December, 1950, vide para.21) was carried by the Posts and Telecommunications Administration up to the middle of 1951, when the Governments made the following advances to the Administration:-

Kenya	£82,500	in May, 1951
Tanganyika	£66,000	in August, 1951
Uganda	<u>£16,500</u>	in July, 1951
	<u>£ 165,000</u>	

Two smaller loans were also granted by Kenya (£12,870) and Tanganyika (£12,500) in 1949 for the housing of Aeradio staff. Both Kenya loans were made at interest of 3% per annum but it was not known at the time that the sums advanced would eventually be chargeable to Kenya and that the loans were really advance payments of the present settlement. In order not to complicate the accounts still further, it is proposed that interest should be waived by all three territories and this has been accepted by the Tanganyika and Uganda Governments. A refund of interest received, amounting to £577. 11. 27 on the 1949 loan has consequently to be added to Kenya's contribution of £72,484. 1. 68.

35. It should be recorded here that advances have been made from time to time by the other Governments towards the cost of Air Traffic Control, viz:-

Tanganyika	£20,757
Uganda	£ 5,000
Zanzibar	£ 4,215

on which interest will also not be paid. No corresponding advance has been made by Kenya.

36. As regards the Posts and Telecommunications Suspense Account, the Postmaster General has submitted a claim to interest at the rate of 3% per annum amounting to £6,744 over the period from 1st January, 1949, up to the date the loans were granted by the Governments in 1951. He points out that the Administration has

had to borrow money to finance the services which have been rendered and the Finance Member of the High Commission sees no alternative to recommending its acceptance by the Governments. The apportionment of this interest will be :-

Kenya	£2,104
Tanganyika	3,554
Uganda	688
Zanzibar	398
	<u>£ 6,744</u>

37. In so far as Kenya is concerned, there are two other items of capital expenditure which are not included in the Suspense Accounts but which fall as Kenya liabilities. These are:-

- (1) £3,069. 8. 28 spent on housing in Kenya out of the loan granted to the Posts and Telecommunications Administration in 1949. This housing has been taken over by the High Commission for "Local Services" and will reduce the rent chargeable to Kenya for housing Aeradio staff.
- (2) £2,238. 4. 0 incurred in 1950 by the Air Ministry Directorate General of Works on the construction, on a repayment basis, of a point-to-point signal station on Eastleigh aerodrome, the account for which was not received in time for inclusion in the final settlement reached with Her Majesty's Government in June, 1951.

It is proposed that these items should be accepted as part of Kenya's capital contribution to the civil aviation ground service scheme.

38. Provision has accordingly to be made, as under, for expenditure on Air Traffic Control and Aeradio Services prior to 1951:-

Para.33	Contribution to Suspense Accounts	£72,484. 1. 68
Para.34	Refund of interest on 1949 loan	577.11. 27
Para.36	Interest payable to P.M.G.	2,104. 0. 0
Para.37(1)	Aeradio housing	3,069. 8. 28
Para.37(2)	Eastleigh point-to- point signal station	<u>2,238. 4. 0.</u>
	TOTAL	<u>£80,473. 5. 23.</u>

39. This will finalise the position except for a possible loss on unallocated stores purchased or ordered by the Posts and Telecommunications Administration for aviation purposes prior to 31st December, 1950, at an estimated cost of £44,000. Part of these stores have been taken over by the Directorate of Civil Aviation and paid for out of the monies provided in the estimates for 1951 onwards. Another part will be purchased by International Air Radio for maintenance purposes under their contract with the Directorate of Civil Aviation. There will, however, remain a quantity of stores which, as a result of changing conditions, will not be required either for aviation purposes or for Posts and Telecommunications purposes and will be disposed of for what they will fetch. In order not to delay the present settlement, it is proposed that this matter should be treated separately and the whole of the stores taken over on a new High Commission account from which the liability to the Posts and Telecommunications Administration will be cleared. Should a loss eventually arise, Kenya's contribution will be included in a subsequent Supplementary Estimate.

(B) - Meteorological Department.

40. It was a condition of the agreement reached in London in June, 1951, that Her Majesty's Government would not be called upon to contribute to outstanding past expenditure on meteorology.

41. After various adjustments have been made in the accounts as at 31st December, 1950, and contributions from the Colonial Development and Welfare Fund, since sanctioned, are included in respect of previous years, there is a net amount of £70,400. 13. 36 outstanding on the Meteorological Department Suspense Account. This is partly attributable to outstanding contributions due from the East African Governments at rates which have already been agreed, but there is still a shortfall of £32,300. 13. 36 which it is proposed to apportion in the same ratio of (Kenya) 37%, (Tanganyika) 34%, (Uganda) 26%, and (Zanzibar) 3%.

42. The territorial contributions work out as follows:-

Contributions due at agreed rates:-

	Due	Paid	Outstanding
	£	£	£
Kenya £16,650 for 2 $\frac{3}{4}$ yrs.	45,787	35,900	9,887
Tanganyika £15,300 for 2 $\frac{3}{4}$ yrs.	42,075	25,800	16,275
Uganda £11,700 for 2 $\frac{3}{4}$ yrs.	32,175	19,750	12,425
Zanzibar £1,350 for 2 $\frac{3}{4}$ yrs.	3,713	4,200	— 487
	£ 123,750	85,650	38,100

Outstanding £38,100 /

	Outstanding £
	38,100
Balance of £32,300. 13. 36 to be divided:-	
Kenya 37%	£11,951. 5. 36
Tanganyika 34%	£10,982. 5. 0
Uganda 26%	£ 8,398. 3. 0
Zanzibar 3%	£ 969. 0. 0
	32,300. 13. 36
Balance of Suspense Account	£ 70,400. 13. 36

43. The amounts due to be paid by the Governments are therefore:-

Kenya	£ 9,887	+	£11,951.5.36	=	£21,838. 5. 36
Tanganyika	£ 16,275	+	£10,982.5. -	=	£27,257. 5. 0
Uganda	£ 12,425	+	£ 8,398.3. -	=	£20,823. 3. 0
Zanzibar -	£ 487	+	£ 969.-. -	=	£ 482. 0. 0
					Total £70,400.13. 36.

(C) - Kenya's Liability.

44. On the basis of these proposals, Kenya's liability for outstanding expenditure on Air Traffic Control, Aeradio and Meteorology up to the end of 1950 is therefore:

Para. 38	Air Traffic Control and Aeradio		£80,473. 5. 23.
Para. 43	Meteorology		£21,838. 5. 36.
			£ 102,311. 10. 59.

Provision of this sum is required to meet the following liabilities:-

Liquidation of the 1949 loan to the Posts and Telecommunications Administration		£12, 870.
Liquidation of the 1951 loan to the Posts and Telecommunications Administration		£82, 500.
Net amount payable to the High Commission		£ 4, 703. 6. 59.
Amount owing to the Air Ministry Directorate General of Works		£ 2, 238. 4. 0.
		£ 102, 311.10. 59.

Supplementary Estimates for 1951.

45. It has already been explained in paragraph 4 that provision for the Directorate of Civil Aviation Headquarters has all along been made in the Annual Estimates. Provision for 1951 was accordingly made, as under, in the usual proportions:-

Estimated recurrent expenditure	£ 30,603
Less miscellaneous receipts	<u>3,193</u>
	<u>£ 27,410</u>

Apportionment:

Kenya	6/13ths	£ 12,651	
Tanganyika	4/13ths	8,434	
Uganda	2/13ths	4,217	
Zanzibar	1/13th	<u>2,108</u>	<u>£ 27,410</u>

46. As a result of the settlement reached in London in June, 1951, the Standing Committee on Finance of the Central Assembly recommended in the following October the approval of additional provision of £243,948 for Air Traffic Control and Aeradio Services. Under the unitary system described in Part III(A) of this paper, Her Majesty's Government's contribution towards this sum was £87,493 made up as follows:-

	<u>Recurrent</u>	<u>Capital</u>	<u>Total</u>
H.M.G.	£ 75, 762	£ 11, 731	£87,493
East Africa	<u>110, 282</u>	<u>46, 173</u>	<u>156,455</u>
	<u>£ 186, 044</u>	<u>£ 57, 904</u>	<u>£ 243,948</u>

The Tanganyika Government having objected to the unitary system being applied to the Flight Information Centre (finance for which is incorporated in the Air Traffic Control and Aeradio estimates), the Standing Committee on Finance recommended that the territorial contributions to the East African share of the expenditure be subject to such adjustments as might be agreed between the Governments, which were asked to appoint an inter-territorial Committee to go into the question (vide para.27).

47. In terms of the original proposals as amended by this Committee's recommendations explained

in Part III(A), the apportionment works out as follows:-

		<u>Recurrent</u>	<u>Capital</u>	<u>Total</u>
		£	£	£
Kenya	31.2%	34,407	15,999	50,406
Tanganyika	52.7%	58,121	26,483	84,604
Uganda	10.2%	11,293	2,420	13,713
Zanzibar	5.9%	6,461	1,271	7,732
		<u>£ 110,282</u>	<u>£ 46,173</u>	<u>£156,455</u>

48. Annual estimates for the Meteorological Department in 1951 were approved as under:-

Estimated recurrent expenditure	£47,700
Less contributions from Egypt, India and Mauritius	<u>2,700</u>
	<u>£45,000</u>

Apportionment:

Kenya	37%	£16,650	
Tanganyika	34%	15,300	
Uganda	26%	11,700	
Zanzibar	3%	<u>1,350</u>	<u>£45,000</u>

49. In October, 1951, the Standing Committee on Finance recommended the approval of additional provision of £60,009, making a total of £107,709 in all for the year, from which £1,400 for rents has to be deducted, leaving net expenditure of £106,309. In accordance with the formula in Part III(B) of this paper, this expenditure is classified into:-

(1) Agricultural & climatological(basic)	£64,687
(2) Addition for internal air service	17,005
(3) Trunk Air Service	<u>24,617</u>
	<u>£ 106,309</u>

and is apportioned as under:-

		<u>Basic</u>	<u>Internal</u>	<u>Trunk</u>	<u>Total</u>
		<u>Service</u>	<u>Air</u>	<u>Air</u>	£
		£	£	£	£
Kenya	37%	18,068	4,719	-	22,787
Tanganyika	34%	16,603	4,336	-	20,939
Uganda	26%	12,700	3,316	-	16,016
Zanzibar	3%	<u>1,466</u>	<u>383</u>	-	<u>1,849</u>
East Africa		48,837	($\frac{3}{4}$)12,754	-	61,591
Colonial D.&W.					
Fund		13,150	-	-	13,150
Other Governments		2,700	-	-	2,700
H.M.G.		-	($\frac{1}{4}$) 4,251	24,617	<u>28,868</u>
		<u>£ 64,687</u>	<u>£ 17,005</u>	<u>£24,617</u>	<u>£106,309</u>

50. Kenya's net liability for Air Traffic Control, Aeradio and Meteorological services in 1951 is therefore:-

Para. 47 Air Traffic Control and Aeradio	£50,406
Para. 49 Meteorological services	<u>22,787</u>
	73,193 x)
<u>Less</u> contribution made to the Meteorological Department in the 1951 Estimates (para. 48)	<u>16,650</u>
	<u>£ 56,543</u>

x) £57,194 recurrent and £15,999 capital.

Provision of £56,543 is now necessary to square the 1951 accounts.

VI.

Expenditure in 1952.

(A) - Directorate of Civil Aviation.

51. Provision for all sections of the Directorate of Civil Aviation was included in the annual estimates of the High Commission for the first time in 1952. The estimates approved were:-

	<u>Recurrent</u>	<u>Extraordinary.</u>
Headquarters	£32,690	-
Air Traffic Control	66,482	£7,500 for housing
Aeradio Services	<u>141,254</u>	<u>29,200 for equipment</u>
	240,406	36,700
Extraordinary	<u>36,700</u>	
	<u>£ 277,106</u>	

52. Under the unitary system of apportionment described in Part III (A) of this paper, this expenditure was divided as follows:-

	<u>Recurrent</u>	<u>Extraordinary</u>
Total Expenditure	£240,406	£ 36,700
Less Miscellaneous receipts	<u>8,546</u>	-
	£232,060	£ 36,700
H.M.G.	<u>80,940</u>	<u>12,473</u>
Payable by East Africa	<u>£151,120</u>	£ 24,227
Kenya	£ 40,215	£ 3,734
Tanganyika	84,892	14,564
Uganda	20,804	5,891
Zanzibar	<u>5,209</u>	<u>38</u>
	<u>£151,120</u>	<u>£ 24,227</u>

The Kenya estimates were presented and passed on this basis.

53. The effect of applying the subsequent recommendations of the inter-territorial Committee referred to in paragraph 28, in regard to the division of costs of the Headquarters Office and the Flight Information Centre (the cost of the latter being embodied in the Air Traffic Control and Aeradio estimates) was to amend the apportionment of recurrent costs among the East African territories as follows:-

	<u>Original</u> <u>Division</u>	<u>Amended</u> <u>Division</u>	<u>Add or</u> <u>Subtract.</u>
Kenya	£40,215	£46,424	+ £6,209
Tanganyika	84,892	78,330	- 6,562
Uganda	20,804	18,304	- 2,500
Zanzibar	5,209	8,062	+ 2,853
	<u>£ 151,120</u>	<u>£ 151,120</u>	

Kenya has therefore to make additional provision of £6,209 for recurrent expenditure on Directorate of Civil Aviation services in 1952.

54. There is no doubt that the original proposals relating to the apportionment of costs were inadvertently over-generous to Kenya. Even under the amended apportionment, Kenya's share of the recurrent costs at £46,424 is only 30.7% of the total of £151,120, whereas 6/13ths under the 1949 "Mundy formula" works out at 46.1%.

(B) Meteorological Department

55. The Meteorological Department estimates for 1952, amounting to £111,281, were approved on the following division of costs based on the formula in Part III (B) of this paper:-

Total Cost of Department		£111,281
Her Majesty's Government	£29,398	
C.D. & W. Grant	<u>13,150</u>	
Total Her Majesty's Government	£42,548	
Egypt	2,400	
India	100	
Mauritius	200	
Rents, etc.	<u>1,950</u>	47,198
		<u>£ 64,083</u>

Balance Divided:-

Kenya	37%	23,711	
Tanganyika	34%	21,788	
Uganda	26%	16,662	
Zanzibar	3%	<u>1,922</u>	£ 64,083

56. Her Majesty's Government's contribution of £29,398 was, of course, calculated on the basis of 100% of the Trunk air service and 25% of the Internal air service in accordance with the agreement in London in June, 1951. The Ministry of Civil Aviation has, however, recently disputed the "Common" element of the Internal air service and has asked for a revision of the formula with effect from 1952 onwards. It would appear that in no Colonial territory does Her Majesty's Government acknowledge full cost of meteorological facilities which can be attributed to Trunk services and the Treasury is unwilling to pay in addition for 25% of the cost of facilities in Internal air services.

57. At a recent meeting between the Director of the Meteorological Department and representatives of the Ministry of Civil Aviation it was contended that there was a "Common" element, not only in Trunk services proportion and Internal air services proportion, but also in the whole of the meteorological expenditure. On this basis the Ministry is prepared to accept the position that the whole of the cost of the Department falls within the definition of "Common" expenditure and that 25% should be paid by them. They are prepared to leave previous years undisturbed but want the new formula applied to 1952 onwards. The effect would be to increase East Africa's contribution for 1952 by about £2,500 and for 1953 by £5,645.

58. It is likely that there will be savings on the actual expenditure for 1952, so that no additional contributions will be required from the East African Governments for that year, but the 1953 Estimates were re-apportioned on the recommendation of the Estimates Committee of the Central Legislative Assembly as follows:-

Kenya	£ 2,089 more
Tanganyika	£ 1,919 more
Uganda	£ 1,468 more
Zanzibar	£ <u>169</u> more
H.M.G.	£ 5,645 less
	=====

Kenya's contribution to the cost of the East African Meteorological Department in 1953 has been increased accordingly in the Colony's 1953 Estimates.

59. In order not to upset the favourable agreement reached with Her Majesty's Government in June, 1951, the Finance Member of the High Commission recommends that the East African Governments accept the position that all Meteorological expenditure be regarded as

"Common", and division of costs be worked out accordingly, on the strict understanding that this formula applies only to existing expenditure and any normal expansion, and not to expenditure of substantial amount unless agreed to by both sides. This stipulation is to protect East Africa against a liability for a share of any expenditure for exceptional purposes, such as might be necessary for the development of jet aircraft services but would not be essential for local services.

VII.

Summary of Proposals.

60. It is proposed that:-

(1) The settlement reached with Her Majesty's Government in June, 1951, as set forth in Part II of this paper, be approved subject to the modification proposed in Part VI (B).

(2) The principles of apportionment of the East African share of the costs of Civil Aviation Ground Services and Meteorological Services described in Part III of this paper be approved.

(3) Financial provision be made for the following commitments:-

Para.44 - Outstanding expenditure up to the end of 1950.	£102,311.	10.	59
Para.50 - Additional provision for 1951.	56,543.	0.	0
Para.53 - Additional provision for 1952.	6,209.	0.	0
	<u>£ 165,063.</u>	<u>10.</u>	<u>59.</u>

The foregoing proposals, if they are agreed to by the Legislative Council, will ensure that adequate provision for Civil Aviation Ground Services is made on a reasonable basis in future and will permit of the long standing Suspense Accounts and other financial commitments being liquidated.