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COLONY AND PROTECTORATE OF KENYA

Speech delivered to the Legislative Council of Kenya on 27th April, 1960, by the Hon. K. W. S. MacKenzie, C.M.G., Minister for Finance and Development, Government of Kenya, on presenting the Budget for the Fiscal Year 1960-61 (1st July to 30th June).

Mr. Speaker, Sir, I beg to move that Mr. Speaker do now leave the Chair.

On Tuesday, 12th April, the Permanent Secretary to the Treasury laid on the Table the Estimates of Expenditure for 1960/61, that is for the year ending the 30th June, 1961. He also laid Sessional Paper No. 4 of 1959/60 being the Development Programme for the three years ending the 30th June, 1963, and the Economic Survey for 1960. I now present to the Council the Estimates of Revenue for the coming year 1960/61 together with the Financial Statement. I would like to express my appreciation to the Permanent Secretary to the Treasury and to all those officers of the Treasury responsible for the production of the Estimates and the accompanying documents. As a result of the Constitutional changes, which were announced only a few days before the Expenditure Estimates were laid, this task was even more onerous this year than is usually the case not only for the officers of the Treasury but also for the Government Printer. All concerned, however, showed their usual enthusiasm and efficiency with the result that the job was completed on time.

I would also like to acknowledge the work of the Economic Research Division and of the Kenya Unit of the East African Statistical Department both in providing information connected with the Estimates and in preparing the Economic Survey. This is a new departure in our Budgetary procedure. The Survey contains detailed information of our economic progress during the past year and sets out the considerations which are likely to affect the economy during the year ahead. It also gives in a clear and easily readable form the detailed economic information which would otherwise have to be included in this speech. I hope that this innovation, which will assist Members of the Legislative Council in preparing for

the Debate on the Financial Statement, will be generally welcomed. It will also provide a wider public with an account of our progress.

It now remains for me to draw attention to some of the more important high-lights affecting the economic sphere. Last year, at the end of his Budget Speech, my predecessor said that we must forge ahead with our plans for development and expansion, accepting, if necessary, a certain amount of calculated sacrifice, so that a Minister for Finance in Kenya could say to this Council, "We can—we have met our commitments. We stand firm again". The Economic Report and the Estimates before the House show that this has now been done. The credit is, if I may say so, that of the people of Kenya whose work, determination and energy have made this possible.

Kenya depends on world conditions for its prosperity. Our exports are almost entirely agricultural, competing in the world markets with those of other primary producing countries. Our imports come from the industrialized countries of the world. The size of the import bill depends in part on the income which the Colony receives from the exports sent overseas. I say "in part" because we receive many advantages from our geographical position and our invisible exports, including tourism, are quite important in helping to pay for our imports.

The world market for primary products has been fairly stable at low prices, but has been improving during the last year. The f.o.b. price of sisal fibre increased by some 30 per cent, while the average price of meat and meat products was higher by some 15 per cent. The f.o.b. price of coffee per ton was some 2 per cent lower in 1959 than in 1958 and a similar drop was experienced in the f.o.b. price of tea. Overall, however, our export index held up well. The world market has been fairly buoyant, but only in so far as

[The Minister for Finance and Development] extra quantities have been absorbed at similar or slightly better prices than in the previous year. It will be through increased quantities of exports rather than from higher prices that primary producing countries will increase their incomes during 1960.

The industrialized countries of the world have been having a boom year. Production has been increasing and demand has been expanding. This prosperity has increased the demand for our products. It may well be that with boom conditions in the industrialized countries their export prices may increase. In that case our terms of trade could get worse and we should have to export more in order to obtain the same amount of imports during 1960. It is against this background of world conditions that we have to make our own forecasts for 1960.

1959 was a better year than 1958. In 1959 agricultural production improved, prices were more satisfactory, and the returns to all farmers were better than in the previous year. The total contribution of cash agriculture to the gross domestic product was some £35 million compared with £33 million in 1958. The most remarkable expansion has been in the sphere of peasant farming, where the monies so far spent on the Swynnerton Plan are now coming to fruition and where we are really beginning to reap the benefits of land consolidation and farm planning. The increase in the cash incomes of our peasant farmers, including incomes from livestock activities, was nearly £1,500,000 or 20 per cent higher than in 1958, while their payout from coffee sales alone was some 75 per cent larger than in the previous year. These developments are still in their early stages, since with such crops as coffee and tea it is not immediately that one obtains increased harvests. We may expect that, as the modernization of peasant agriculture proceeds, the increased output should be even more considerable and the incomes of the farmers much higher than at present.

Wholesale and retail trade had a satisfactory year, while the manufacturing industries maintained their position and showed signs of improvement in the early months of 1960. Mining had a record year.

Building and construction suffered somewhat, but not to the extent felt in 1958. In that year there was a great fall from the boom of 1957, but, although we have not returned to the building output in value terms of 1957, 1959 was better than 1958. Some indication of what is in store in 1960 can be seen from the value of building plans passed in Nairobi City. Although the annual figures for 1959 showed a slight decline, compared

with the first three months of that year, the first three months of 1960 showed an increase of 30 per cent. We realize that some of these plans will not become buildings, but most of them do.

Our exports showed a healthy increase of £4 million. Imports remained relatively unchanged, so that the adverse balance of trade on external account fell by £4,500,000. We were still importing capital goods and producer materials as well as consumer goods, and our trade position was helped by the favourable balance of trade with our neighbouring territories of Tanganyika and Uganda, where we had a favourable balance of some £7 million, which reduced our overall visible trade balance to £16 million.

During 1959 there was a slight increase of about 3,700 in the number of persons employed. The increase in the Wage Bill was some £2 million compared with 1958 and the total for the Colony has been estimated to be of the order of £80 million. A Commissioner is examining the unemployment position. I, personally, prefer to call it the employment problem. In the modern industrial state, paid employment is the normal condition of the mass of the people. This is not so in a country like Kenya where the whole idea of paid employment only came into being during living memory. In any case, the answer is to increase the opportunities for our people to earn a decent living, whether through self-employment or through wage-earning. That is, of course, one of the major objectives of the Government's development plans and policies.

Our efforts in 1959 were successful and the year was one of resumed growth during which the gross domestic product showed an increase of 3½ per cent at current prices. If we take only the monetary sector, the increase was of the order of 5 per cent. Allowing for population increases and price changes, an estimate of the real growth per head—again in the monetary sector—was of the order of 3 per cent, which compares most favourably with 1958, when there was a slight fall. The price level has, of course, remained remarkably stable, the Nairobi cost-of-living index being only one-third of 1 per cent higher in February, 1960, than in mid-1958, about 1 per cent higher than in mid-1957 and less than 5 per cent higher than in mid-1956.

Turning now to 1960, I am advised that the trend should not be very different from 1959. Government expenditure, including all public activities, on capital construction, will be running at a high rate: in 1959 it was £14 million. Our agricultural production and exports should continue to increase. If prices remain fairly satisfactory, then total income from these exports should also expand. It is thought that in the cash sector the gross domestic product could increase

[The Minister for Finance and Development]

by about 4 per cent during the present year. This improvement, which is needed year by year if we are to have those higher standards of living and improved services for which everyone is asking, will, of course, require political stability and an economic climate which will encourage existing enterprises to continue their efforts and investors to develop new projects. Talk of "liquidating" large-scale "Farmers" will do no one any good. Nor will such expedients as putting farms on a care and maintenance basis or "mining" the land. What we need in the way of policy are measures which will encourage all such farmers to continue with development to their own and everybody else's profit.

At the present moment some £40 million is invested annually in Kenya in "gross capital formation". This means that both for replacement of obsolete equipment and buildings, and for the development of new land, the equivalent of 25 per cent of the gross domestic product in the monetary sector is used. Net capital formation, the amount spent on additions to our capital, is possibly in the region of half the gross figure, and of the total much is financed from overseas. £5 million of private money is invested annually in large-scale agriculture alone and it is essential that this should continue. The Government invests very large sums in peasant agriculture. All this investment must be continued if the income per head is to grow at a satisfactory rate and to result in a national income which will permit us to have those conventional necessities, which do not mean cigarettes and beer but schools, hospitals, roads and other assets to future growth and amenities for the well-being of the community.

Whilst I am still dealing with economic matters, there are two other points to which I must refer. The first concerns the allegations that there has been a fall in confidence and an outflow of capital since the end of the Constitutional Conference. Certain statements were made whilst I was in London and a figure of £900,000 a week outflow was mentioned. It was also suggested that currency control might be introduced. At the time I made what enquiries I could from the authorities both in London and in Nairobi, and I was informed that there was nothing in the situation to cause alarm. Since I returned to Nairobi I have been able to obtain further information on the subject. I was not altogether surprised to learn that there had been some outflow. It is not unnatural, at times of change, for people with liquid assets to transfer them to places where they believe that they may be safer. I was, however, also glad to learn that, as I had expected from the information obtained in London, the figure which was mentioned was highly exaggerated. I am also advised that the

flow has eased up during the current month. Nor is this the whole story. Throughout the period, money for investment has continued to come in to the Colony and in to the East African area generally. Here again, the amount has probably not been as great as in normal times which, once more, is not surprising in a time of change and uncertainty. The fact, however, that the flow has by no means ceased—some of the sums introduced are, I understand, of a sizeable nature—shows that there are still people with faith in our future.

To the extent that there may have been a net outflow of capital during March, I think that it may have been due not only to uncertainty as to the future but to fears that some form of currency control might be introduced. I said in London, and I repeat it here, that the Government has no intention of introducing any measures which would impede the free flow of capital between this Colony and the rest of the sterling area. If people wish to transfer their money from Kenya to London or to other parts of the sterling area, they are perfectly free to do so. I hope, however, that there will not be any large-scale movement and, as I have already said, my information is that the degree of outflow which appears to have existed last month, has now eased up. I shall, of course, continue to watch the position and will inform the House of any important changes.

It may be said that statements such as mine are all very well now, but what of the future. The fact is that, whatever the political complexion of any future Government of this Colony may be, our economy will remain very much dependent on the rest of the world not only for its development but for its very maintenance. Any interference in the free flow of money would, in my opinion, kill not only development but the economy itself stone dead. There would be an end to everyone's dreams of a better life, of more schools and an improving standard of living. I cannot believe that any foreseeable future Government of this Colony is going to ignore these facts. I can, therefore, see no reason why anyone should have fears on this score, now or in the future.

My other point concerns the Fiscal and Economic Commission which is to examine the East African common market arrangements, together with those for economic co-ordination between the Territories and for fiscal uniformity. The Commission has been directed to pay special attention to the measures for facilitating inter-territorial trade in local products and to developing local industries in East Africa: to those for securing uniformity in fiscal and financial matters, including the allocation of customs, excise and

[The Minister for Finance and Development] income taxes between Territories; and to the provision of revenue for the East Africa High Commission. They will consider the advantages and disadvantages of the present arrangements, whether they are economic and fair to the interests of each Territory, and they will make recommendations.

The Commission will begin its work fairly soon and it would not be for me to attempt to anticipate its findings. All I would say is that I, personally, am a convinced believer in the value to us, and to all the territories of East Africa of the common market. So far as Kenya is concerned, the figures which I have already quoted, and to which reference is made in the Economic Survey, speak for themselves. I do not, however, believe that our gain is anyone else's loss. I believe that the common market is a stimulus to production and to trade throughout the area of East Africa, and that all territories benefit from it. It is my view that, if in the past we had had the misfortune to be "balkanized", each of the territories would have been poorer in their economies, quite apart from the cost of administering separate customs and income-tax administrations. I would, therefore, regard the maintenance of our common market as being of the utmost importance to the welfare of us all.

I shall next deal with the general capital and development position.

At 30th June, 1959, there was a deficit of a little over £4,560,000 in the Development Account financed as to £2,400,000 from Revenue Account and Tax Reserve Certificates and as to the balance from short-term borrowing including internal borrowing from the Government's own resources. The revised estimates of expenditure for 1959/60, given in Table III of the Development Estimates, total £10,259,000. This figure is based on the revised estimates submitted by Ministries. However, on the basis of the experience of previous years, and the actual issues made from the Exchequer by the end of March, I regard £9.6 million as a more realistic figure for actual expenditure in the current year. This expenditure will be covered almost in full from loan funds raised during the year, or from other receipts.

The loan funds' figure of £6,225,000 includes £4 million of exchequer loan money, and the "other receipts" figure of £2,970,000 includes £800,000 surrendered from the sugar equalization fund. I propose also, as I foreshadowed in the debate on the speech from the Chair, to authorize the transfer to the development account of £1 million, being the bulk of the surplus of almost £1,150,000 in the Colony exchequer at the 30th

June, 1959. This will cover the allocation of £750,000 for public works non-recurrent in the 1960/63 Development Plan. There will also be £250,000, of which I propose that £100,000 should be used to increase the target for the number of families to be absorbed into employment in the Government's forest estate under the supplementary forest scheme from 5,000 families to 6,000 families. The remaining £150,000 will reduce the "capital gap" on the 1960/63 Plan to approximately £1 million.

The 1960/61 Development Estimates total nearly £10,128,000. The details of the various projects are set out in Sessional Paper No. 4 of 1959/60. Over 65 per cent of the expenditure will be on economic services, particularly agriculture. I am convinced that the Government is right in the emphasis which has been placed in the programme on the development of agriculture. This will make the most immediate impact on the national income by encouraging the growing of an increasing acreage of cash crops for which markets can be found at profitable prices. It is only by an increase in the national income that the country will be able to meet the ever-increasing demands for improvements in the less immediately productive social services—in particular, in the field of education.

Included in the Development Estimates is £300,000 for loans to African farmers and £300,000 for feeder roads in African areas. Last year, my predecessor referred to the discussions which had been opened with the International Bank for Reconstruction and Development to see whether they could make available on a loan basis funds for this purpose. As honourable Members are aware, my colleague, the Minister for Agriculture, and I, and you, Sir, have recently been having talks in Washington about these schemes. The total project will cost some £6 million, of which £2 million will be for agricultural credit and feeder roads in the areas of high potential, during the currency of the 1960/63 Development Plan. We hope to be able to provide some £4 million from our own resources, including loan funds and assistance from Her Majesty's Government. I am happy to be able to say that, subject to the approval of the Bank's executive directors, which will be sought during the next few days, and to the passage by this Council of the Ordinance covering this borrowing from the Bank, we have reason to believe that the remaining £2 million will be forthcoming from that source. This will make it possible for us to go ahead with a much increased credit programme for African farmers in the areas of high agriculture potential and with schemes for providing a greatly improved system of feeder roads in these same areas.

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The House may also be interested to know that we told the Bank about the scheme for increasing agricultural production which was referred to by the Secretary of State during the Lancaster House discussions on constitutional affairs. The Ministry of Agriculture and the Treasury are still working out concrete proposals in connexion with this scheme and until this has been done we shall not know to what extent, if any, the World Bank will be able to participate. I can, however, assure the House that the preparation of the scheme is being treated with the very greatest urgency by all concerned and that I, personally, feel confident that funds will be forthcoming from one source or another to finance a worthwhile project, of benefit to farmers of all races who are prepared to press on with the development of their land.

In addition to the projects in the Estimates, it is expected that at least £1 million will be spent on the £4 million Contractor Finance Road Programme. A further project, not included in the Estimates, is the Nairobi City Council's £1.5 million Contractor Finance African Housing Project. This project also will get under way in 1960/61, and total expenditure by the Government and the City Council combined is likely to be at a higher level than in any previous year of Kenya's history. This will make a notable contribution to employment as well as to our housing resources.

As I stated earlier in my speech, expenditure on buildings will be running at a high level, and will absorb to the full the capacity of the Ministry of Works.

I also referred at an earlier stage to the employment problem. The Development Programme was examined several months ago with a view to seeing whether, by including in the Plan some of the proposals of Ministries which had had to be cut out in order to bring the total of the Programme within the funds likely to be available, further employment could be created. The enquiry showed that an adjustment on these lines would not be likely to improve the position, since it would involve cutting out more immediately remunerative projects for others of more doubtful or longer term economic value.

There is, however, one project in the Plan referred to on page 46 of the Sessional Paper—namely, the Supplementary Forest Development Scheme, which is a scheme specifically designed to reabsorb landless and unemployed persons on new forest stations. Some 4,000 families have already been absorbed, and the money provided in the Sessional Paper is designed to increase this number to 5,000. As explained earlier, I am now

proposing, at a cost of about £100,000 to be found from last year's revenue surplus, to raise the target still further to 6,000 families. For purpose of comparison, the House may be interested to know that it would require a special building project costing about £300,000 to employ 1,000 workers even for a short period. Far more than £300,000 would be needed to employ the same number on roads.

The problem of financing a development programme of over £10 million during the coming year will be formidable. It will be necessary to borrow—either by way of exchequer loan, by public issues on the market or from short-term sources—a further £6,500,000 during the coming year. It will not be easy to obtain all we need by exchequer loans and public issues on the local market—particularly bearing in mind that it will be necessary for the Government to convert or repay in June, 1961, the 4 per cent local loan of £2,925,000 raised in 1954. I am confident, however, that it will prove possible to finance in one way or another the expenditure shown in the Estimates, and that this ambitious programme is fully justified and entirely necessary if we are to secure that growth in the economy of the country which is essential to our economic progress.

I am also confident that we are wise to plan for total development expenditure of some £27 million during the period 1960/63. It is true that finance will not be easy to find—it never is—but it should not be impossible. It is also true that additional loans involve additional debt charges. But, as the economic story for 1959 shows, they also generate more income. The fact is that countries like ours must develop or stagnate. In spite of all the difficulties we have been through, wise development expenditure in the past has made it possible for us to sustain services of a scope and standard which would not have been thought possible even ten years ago. There may be risks in continuing to plan for development at the same rate in the future; but I think the House will agree that the risk of not doing so would be infinitely greater.

Before proceeding to the recurrent Budget, I have one further thing to say about development finance. It is always desirable that some part of any capital programme should be financed from recurrent revenue if that is at all possible. At present we cannot do this by provision in Estimates. Prudent financial management will, however, tend to throw up small annual surpluses. Such surpluses are needed in the early months of each financial year to cover the normal excess of exchequer issues over receipts in that period. Subsequently, I believe that we should transfer them to capital account. We shall do this as to £1 million this year and I would hope that

[The Minister for Finance and Development] similar action would be possible in the future—though the amounts might well be less.

I now turn to this year's out-turn and to the Estimates for the coming year and, at this point, I shall—as has been done in previous years—set before the Council the pattern of net expenditure covered by the total figure of £32,014,675 in the printed Expenditure Estimates. There is, in fact, little change. Basic administrative services, law and order, defence and revenue collection still account for about 34 per cent. Economic services, which include roads, water works, agricultural services, forestry, game and fisheries, lands and mines, commerce and industry, account for some 15 per cent. The social services take up about 25 per cent (of which the bulk—nearly 19 per cent—is for education). Financial charges of a recurrent nature—public debt, pensions, and payments to local authorities—take up nearly 18 per cent. The remaining 8 per cent is taken up by various general and ancillary services such as public works and printing.

I would also, at this stage, refer to the tables of comparative expenditure and revenue over a four-year period published at pages (vi) to (viii) of the introductory pages of the Expenditure Estimates. I hope that Honourable Members will find these tables of some value in viewing the Budget in historical perspective. It is intended that they should become a regular feature of our published Estimates and that the perspective should be lengthened in due course to at least five years.

With regard to the current year, the original Estimate—including emergency expenditure—was £32,325,520. There will be savings of £408,349 on our contributions to the High Commission, it having been agreed that Kenya's surplus balances with the High Commission should be reduced to £100,000 by the 30th June, 1960. The payments being made to the High Commission this year are being reduced with this target in view. There are also likely to be savings of approximately £153,000 in the Public Debt Vote. These arise because, when the Estimates were prepared, it had been anticipated that half-yearly payments would have to be made on exchequer loans obtained from Her Majesty's Government. In fact, payments are to be made annually, and not half-yearly, and this means that no payments will have to be made in the current financial year on exchequer loans obtained during the year. These savings will be partly offset by the need for supplementary provision on a number of votes. Although, however, after allowing for all savings and Supplementary Estimates, the total revised Estimate will be some £32,175,000. I do not, in

fact, anticipate that actual expenditure will exceed £32 million.

The revised Estimate of Revenue for the current year approximates very closely to the original Estimate. I have no reason, at this stage, to revise the original Estimates for Customs and Excise or for Income Tax, and an anticipated shortfall of some £180,000 in collections of graduated personal tax will be more than covered by increased extra exchequer receipts. The revised Revenue Estimate—as shown in the statement on page (viii) of the Estimates presented to Legislative Council—exceeds the original Estimate by £37,287.

The Estimates, as presented, envisaged a surplus of £68,266. In view of the savings that have been made on our contributions to the High Commission, and on the Public Debt Vote, I shall be disappointed if we do not have a surplus on the year of about £430,000. As Honourable Members will see from the financial statement, this will mean with the unspent balances of £229,000 brought forward from 1958/59 the overall balance in the Colony Exchequer Account at the beginning of the 1960/61 financial year—after allowing for the transfer of £1 million to Development—will be approximately £800,000. This represents less than two weeks' revenue and is a very small reserve to hold against the excess of expenditure over revenue which, as I have said, is normal during the early months of the year and to meet possible shortfalls of revenue or other unforeseen contingencies which may arise during the year. Ultimately I would hope to be able to transfer the bulk of it to Development Account. But that will depend on the circumstances of the coming year.

The present year is the last in which we shall receive assistance from Her Majesty's Government towards Emergency expenditure and it may, therefore, be of interest if I indicate the amount of total expenditure on the Emergency for the period from 1952 to the 30th June, 1960. The total figure is likely to be £57,185,424. Of this, £25,050,000 will have been met by grants from Her Majesty's Government; £6,050,000 by interest-free loans, which we shall before long have to begin repaying; and no less than £26,085,424 from our own resources.

As explained in the general memorandum note printed on page (v) of the 1960/61 Estimates, estimated expenditure in 1960/61 represents a net reduction of £310,845 on the provision made in the current financial year, but—after allowing for the reduction in expenditure previously met from the Emergency Fund from £1,600,000 to £514,000, and after taking credit for the generous decision of Her Majesty's Government to relieve us of

[The Minister for Finance and Development] responsibility for the recurrent cost of the East African Land Forces, for which £1.128,000 was provided in the current year's Estimates—there is a true increase of some £1.9 million. On the great majority of votes there has been a virtual standstill. The increases fall into four main groups.

First, there are the increases in public debt, in pensions and in local government contributions—mainly statutory—which may be regarded as commitments, and unavoidable, and which total some £550,000, and which are likely to rise still further in future years. In particular, the annual increase in public debt will—if we carry on with our necessary but ambitious Development Programme—exceed the increase shown in the 1960/61 Estimates of £341,000.

The next group is the social services. The increase on education and health totals over £650,000—ignoring the provision for passages. The net increase of over £530,000 on education is a formidable figure which we could not have found but for the decision of Her Majesty's Government to relieve us of the recurrent cost of the East African Land Forces. I am fully conscious of the need not to abandon our programme for the improvement of educational facilities, particularly in African education, and particularly at the intermediate and secondary stages. It will be noted that the increase in 1960/61 for commitments and for social services totals over £1.2 million. We are likely to be faced with a similar or increasing bill in future years. This bill can only be met from an expanding economy—if the improvements in the health and education of our people are reflected rapidly in greater productivity in all sectors of our economy, but especially in our agriculture. We cannot expect Her Majesty's Government to take over a large portion of our expenditure every year—nor, indeed, must we forget that the day may come when we shall have to resume responsibility for the cost of our own forces. It cannot be said too often that, while the outside world will help us to develop our resources by grants and loans of money and skilled manpower, no one owes the people of Kenya a living and if we are to progress we can only do so through our own efforts.

The increase still to be explained is £700,000, of which nearly £100,000 relates to passage costs. In accordance with my undertaking last year, I have had the passages vote split up amongst the services to which it relates. This has, as I suspected it might, led to an immediate increase in total provision—instead of one margin there are now several. The total may not,

however, be spent and I am sure that we shall have greater control in the future.

Of the remaining £600,000, some £377,000 relates to my third group, namely, administration and the maintenance of law and order. These increases are explained in detail in the memorandum notes on the Chief Secretary's Vote and on the Police and Prison's Votes. I am hopeful that we have now reached an establishment and a level of expenditure for these services which can be held in future years.

The remaining increases, which constitute the last group, total some £223,000 and relate to a number of miscellaneous votes. £63,000 is for the Ministry of Local Government, largely arising out of the ministerial changes that have taken place, but including an additional £15,000 for the relief of distress; £50,000 is for the Ministry of Tourism, Game, Forests and Fisheries, and includes £24,000 for anti-poaching measures and £10,250 required for the take-over from the High Commission of the Lake Victoria Fisheries Service; £49,000 is an increase in our contribution to the High Commission, of which nearly half will be required for the East African Directorate of Civil Aviation and the E.A. Meteorological Department, and arises mainly because of the tapering of grants received from the Ministry of Civil Aviation in the United Kingdom; the greater part of the balance relates to some necessary strengthening of the revenue-collecting departments—namely, the E.A. Customs and Excise Department and the E.A. Income Tax Department.

Lastly, the increase under the Ministry of Agriculture totals £42,000. This is almost fully explained by the need to provide £40,000 to subsidize the price of local rice. The cost of this rice subsidy will be more than fully offset by revenue obtained from customs duty on rice imports. The only other significant increase is on the Ministry of Labour, and includes the provision of a new post of officer-in-charge, employment services, and some strengthening of staff at labour exchanges.

I feel that, at this stage, I should again make it clear that it is unlikely to be possible—on the basis of the forecast of the probable growth in the national income given in the Economic Survey—to finance in future years as large an increase in expenditure as is contemplated in 1960/61. In fact, it will be necessary to hold the majority of votes at approximately their present levels, and to cover the need for additional provision for increments and other adjustments by administrative economies. This applies to levels of pay as much as to anything else. The Government has always recognized that selective salary adjustments may be needed

[The Minister for Finance and Development] to assist recruitment or to retain the services of experienced staff. This still holds good. It is also probable that we may have to look in a more general way at the relationship between the remuneration of our civil servants and that of comparable employees in the field of recruitment. As the Economic Survey shows, however, the cost of living has been stabilized over the past three or four years. In these circumstances any general upward movement of salaries would appear to be unjustified. It would also have most serious economic and financial consequences. Our total salaries bill, including Development, is now about £18 million and even a 5 per cent overall increase would cost some £900,000 involving cuts in services or increased taxation, or both. It must, therefore, be recognized that, however distasteful the fact may be, we cannot afford general salary increases and that, even where adjustments are unavoidable because of market considerations, they can only be granted to the extent that the country can afford to pay.

I turn now to the problem of financing the overall net estimate of £32,014,000. The Revised Estimates of Revenue for 1959/60 total £30,831,000 and there is, therefore, an additional sum of £1,183,000 to be found in 1960/61 in order to balance the Budget.

Revenue receipts from all sources other than customs and excise and income tax in 1959/60 total some £6,580,000. We are likely to receive an additional amount of approximately £203,000 from these sources in 1960/61. I need not go into these items in detail, but I expect that we shall receive an additional £75,000 in land revenues largely as a result of the revised valuations of land, and an additional £90,000 in interest on loans made from Development Funds. There will also be a small increase in receipts from graduated personal tax.

This leaves an additional amount of approximately £1 million to be produced from our main standbys—namely, customs and excise and income tax. In spite of the increase in the national income set out in the Economic Survey, which amounted to some 5 per cent in the monetary sector in 1959, I do not anticipate that income tax receipts in 1960/61, at present rates of taxation, will exceed the 1959/60 estimate of £10,550,000. The reason for this is that the 1959/60 figure will be swollen by the recovery of arrears from previous years, and actual collections in 1960/61 are likely to approximate closely to actual assessments on the year of income 1959. Actual assessments on the year of income 1958 will total only about

£10 million, and I do not anticipate that assessments on the 1959 year of income will exceed £10.5 million.

I feel, therefore, that I am being reasonably optimistic in forecasting receipts of £10,550,000 from income tax in 1960/61. The estimate for 1959/60 of customs and excise is £13.7 million, and is likely to be achieved. The Economic Survey forecasts a rise of approximately 4 per cent in the monetary sector of the national income in 1960, and it would, I feel, not be unreasonable to estimate that there will be a corresponding rise of about 4 per cent—or £550,000—in receipts from customs and excise at the present rates of duty in 1960/61.

HONOURABLE MEMBERS WILL HAVE NOTED THAT, GIVEN THE EXPENDITURE PROPOSALS CONTAINED IN THE ESTIMATES OF RECURRENT EXPENDITURE AND THE REVENUE FORECAST WHICH I HAVE JUST GIVEN, WE SHOULD BE FACED WITH A DEFICIT IF EXISTING LEVELS OF TAXATION WERE TO BE MAINTAINED. AS THE HOUSE IS AWARE, I DO NOT BELIEVE THAT A POOR COUNTRY LIKE KENYA CAN AFFORD THE LUXURY OF DEFICIT BUDGETS. BEFORE, HOWEVER, DEALING WITH MY PROPOSALS FOR CLOSING THE GAP, I HAVE TO PROPOSE A NUMBER OF REVENUE CHANGES WHICH ARE DESIGNED NOT TO PRODUCE ADDITIONAL MONEY FOR THE EXCHEQUER BUT TO ENCOURAGE OR PROTECT LOCAL INDUSTRY OR TO RECTIFY ANOMALIES OR TO CLOSE LOOPHOLES IN OUR SYSTEM OF REVENUE COLLECTION. I WOULD, AT THIS STAGE, ASK MR. SPEAKER THAT, IN ACCORDANCE WITH OUR USUAL PRACTICE, THIS SPEECH BE TAKEN AS NOTICE OF MOTION TO BE PLACED BEFORE THE COMMITTEE OF WAYS AND MEANS DEALING WITH THE MEASURES I AM NOW PROPOSING.

I FIRST DEAL WITH PROTECTIVE MEASURES. THE DUTY ON TOMATO PUREE IS AT PRESENT 22%. THE LOCAL TOMATO PUREE INDUSTRY PROCESSES A VALUABLE CASH CROP AND IT IS ESTIMATED THAT IT CAN PROVIDE FOR THE FULL REQUIREMENTS OF THE EAST AFRICAN TERRITORIES IN A QUALITY SUPERIOR, BY ANALYSIS, TO THAT OF COMPETING IMPORTS. IN DUE COURSE THERE WOULD SEEM TO BE NO REASON WHY THE INDUSTRY SHOULD NOT EXPAND INTO THE EXPORT MARKET AND THEREBY PROVIDE A VERY USEFUL OUTLET FOR A CASH CROP. IT IS, HOWEVER, NECESSARY TO ASSIST THE INDUSTRY TO CAPTURE THE INTERNAL MARKET. THE LOCAL PRODUCT IS NOT SUFFICIENTLY WELL-KNOWN TO ACHIEVE THIS. WITH THIS IN VIEW, I NOW PROPOSE THAT THE DUTY BE INCREASED TO 30% AD VALOREM. THIS INCREASE WILL, AT THE WORST, HAVE A NEGLIGIBLE UPWARD EFFECT ON HOUSEHOLD EXPENDITURE.

MY NEXT PROPOSAL AFFECTS FOOTWEAR. THE DUTY ON BOOTS AND SHOES IS AT PRESENT SH.1/50 PER PAIR OR 22% AD VALOREM. I PROPOSE TO INTRODUCE A NEW TARIFF ITEM UNDER WHICH THE SPECIFIC DUTY ON FOOTWEAR, EXCLUDING FOOTWEAR WITHOUT UPPERS AND EXCLUDING FOOTWEAR WITH UPPERS OF COTTON AND SOLES OF RUBBER OR ROPE, AND ALSO EXCLUDING

CHILDREN'S FOOTWEAR, SHOULD BE SHS.5/- PER PAIR. THE AD VALOREM DUTY WILL REMAIN AT 22%. MEMBERS WILL HAVE NOTED THAT THIS CHANGE IN DUTY WILL ONLY AFFECT LEATHER BOOTS AND SHOES WORN BY ADULTS. SIMILARLY, I PROPOSE THAT THE SPECIFIC DUTY ON IMPORTED LEATHER FOR BOOT AND SHOE UPPERS SHOULD BE INCREASED FROM 50 CENTS TO 75 CENTS PER SQUARE FOOT. THE OBJECT OF THESE CHANGES IS, FIRST, TO PROTECT THE MANUFACTURERS OF LEATHER FOOTWEAR IN THE MEDIUM AND LOW GRADES OF SHOES AND, SECOND, TO PROTECT OUR LOCAL TANNERIES. AS MEMBERS KNOW, SMALL COBBLERS HAVE BEEN ENCOURAGED TO ESTABLISH COTTAGE INDUSTRIES USING LOCAL LEATHER. WE HAVE ALSO, FOR A LONG TIME, HAD SMALL SHOEMAKING ESTABLISHMENTS IN THE COLONY. ALL THESE WILL BE PROTECTED AGAINST THE IMPORTATION OF CHEAP AND SHODDY FOOTWEAR MADE OF LEATHER. SINCE WHAT ARE COMMONLY KNOWN AS "TACKIES" ARE EXCLUDED, AS ARE CHILDREN'S SHOES, THOSE MEMBERS OF THE COMMUNITY WHO CAN ONLY AFFORD RUBBER-SOLED SHOES WITH COTTON UPPERS WILL NOT BE AFFECTED BY THIS CHANGE. NOR WILL THOSE WHO HAVE TO PROVIDE SHOES FOR GROWING CHILDREN. FINALLY, FASHION FOOTWEAR OF THE BEST QUALITY, WHICH HAS STILL TO BE IMPORTED, WILL NOT BE AFFECTED SINCE THE DUTY ON THE MOST EXPENSIVE GRADES WILL CONTINUE TO BE ASSESSED ON AD VALOREM RATES.

LAST YEAR, NEW DUTIES OF A PROTECTIVE NATURE WERE INTRODUCED FOR ENAMEL HOLLOWARE. THESE DUTIES APPEAR TO HAVE GIVEN EFFECTIVE PROTECTION TO OUR LOCAL INDUSTRY, FOR, INSTEAD OF THE INCREASE OF REVENUE WHICH WAS ANTICIPATED IN LAST YEAR'S BUDGET, THERE HAS, IN FACT, BEEN A CONSIDERABLE FALL. ONE DISADVANTAGE OF THE RATES IMPOSED LAST YEAR WAS, HOWEVER, THAT THEY WERE AT THE SAME LEVEL, 50 CENTS, FOR ALL SIZES OF CUPS, MUGS, PLATES AND SAUCERS. SIMILARLY, THE RATES FOR OTHER TYPES OF ENAMEL HOLLOWARE WERE FLAT RATES IRRESPECTIVE OF THE SIZE OF THE ARTICLE. IT IS NOW PROPOSED TO PROVIDE DIFFERENT LEVELS OF DUTY FOR DIFFERENT SIZES OF ARTICLE. THE RATE FOR THE SMALLEST SIZES OF CUPS, MUGS, PLATES AND SAUCERS

WILL, FOR INSTANCE, BE ONLY 25 CENTS AS AGAINST THE PRESENT 50 CENTS. THE EXISTING RATE WILL CONTINUE TO APPLY FOR MEDIUM-SIZED ARTICLES, WHILST THE LARGER ONES WILL PAY 75 CENTS. SIMILAR ADJUSTMENTS WILL BE MADE IN RESPECT OF BASINS AND BOWLS WHERE THE EXISTING SPECIFIC RATE IS 75 CENTS. THE SPECIFIC RATE ON STEWPANS, SAUCEPANS AND CASSEROLES WILL REMAIN AS AT PRESENT SH.1/25. THE AD VALOREM RATE OF 30% WILL ALSO REMAIN UNCHANGED. THIS IS NOT A REVENUE PROPOSAL AND IT IS DIFFICULT TO SAY WHAT THE EXACT EFFECT WILL BE IN TERMS OF REVENUE. IN VIEW, HOWEVER, OF THE SUCCESS OF THE MEASURE OF PROTECTION ALREADY AFFORDED, THE FINANCIAL EFFECT IS UNLIKELY TO BE APPRECIABLE EITHER WAY.

I AM PROPOSING TO MAKE A SMALL CHANGE IN TARIFF ITEM 58(n) BY PROVIDING THAT WASTE AND SCRAP METAL SHALL BE IMPORTED FREE. THIS WILL NOT ONLY ASSIST LOCAL INDUSTRY ENGAGED IN PROCESSING SCRAP METAL BUT WILL REMOVE AN ANOMALY. THE LOCAL PRINTING INDUSTRY WILL BE ASSISTED BY FURTHER CHANGES WHICH I PROPOSE TO MAKE UNDER TARIFF ITEMS 68 AND 136(a). THESE CHANGES WILL EXEMPT SENSITISED PLATES, PRINTERS' INK-DRYERS AND CERTAIN OTHER CONSTITUENTS OF PRINTING INK FROM DUTY. THE FINANCIAL EFFECT OF ALL THESE MEASURES WILL BE NEGLIGIBLE.

THE LAST OF MY PROTECTIVE PROPOSALS RELATES TO THE INTRODUCTION OF A NEW TARIFF ITEM, 165(e), INTRODUCING A NEW DUTY OF 22% ON CROWN CORKS. PREVIOUSLY THESE WERE IMPORTED FREE AS PACKING MATERIALS. THE NEW DUTY WILL PROTECT OUR LOCAL CROWN CORK INDUSTRY AGAINST CUT-THROAT COMPETITION WHICH ONLY AROSE AFTER OUR INDUSTRY CAME INTO OPERATION. I AM INFORMED THAT THE LOCAL COMPANY IS CAPABLE OF MEETING THE WHOLE EAST AFRICAN DEMAND.

MY NEXT SERIES OF PROPOSALS ARE OF A TECHNICAL NATURE. THE MORE IMPORTANT RELATE TO THE IMPOSITION OF DUTY ON CERTAIN TYPES OF SYNTHETIC FIBRE WHICH ARE NOT COVERED BY THE EXISTING TARIFF. THIS, WHILE STOPPING A LOOPHOLE, WILL PRODUCE SUFFICIENT REVENUE TO OFFSET DECREASES RESULTING FROM PROTECTIVE MEASURES AND RELIEFS; THE EXEMPTION FROM DUTY OF "OFF THE HIGHWAY" VEHICLES WHICH ARE USED

SECRET

PRIMARILY FOR CONSTRUCTIONAL WORK; A SIMPLIFIED METHOD OF PROTECTING THE LOCAL BOTTLE-MAKING INDUSTRY, WHILE ALLOWING FREE IMPORT TO BOTTLES OF A TYPE WHICH ARE NOT MADE LOCALLY; AND THE EXEMPTION FROM DUTY OF CERTAIN SCIENTIFIC, EDUCATIONAL AND RELIGIOUS EQUIPMENT.

THERE IS ALSO A NUMBER OF MINOR AMENDMENTS DEALING WITH NEW TYPES OF BUILDING MATERIAL, CLIP BOLTS, "FLOAT" GLASS, PRIZES AND AWARDS, AND ROAD AND TRAFFIC SIGN MATERIALS. FINALLY, THE TARIFF ITEM RELATING TO BATHS AND OTHER SANITARY WARE IS AMENDED SO AS TO EXTEND THE SCOPE OF THE EXEMPTION FROM DUTY TO ALL ARTICLES OF THIS NATURE,

IRRESPECTIVE OF WHETHER THEY ARE MADE OF EARTHENWARE, STONWARE, PORCELAIN OR PLASTIC OR OF ANY OTHER MATERIAL. THE FINANCIAL WHICH MERELY MAKES IT UNNECESSARY TO EXTEND THE SCOPE OF THE ITEM EVERY IMPLICATIONS OF THIS MEASURE/ARE NIL. TIME A NEW MATERIAL IS INVENTED,

I NOW COME TO A SERIES OF PROPOSALS DESIGNED PRIMARILY TO ASSIST THE TOURIST INDUSTRY. THEY WILL, HOWEVER, ALSO BENEFIT RESIDENTS OF KENYA AND WILL SIMPLIFY THE ADMINISTRATION OF THE CUSTOMS' TARIFF. THE FIRST OF THESE MEASURES RELATES TO CUSTOMS' TARIFF ITEM 144 COVERING PASSENGERS' BAGGAGE. I PROPOSE THAT THIS ITEM SHOULD BE REVOKED AND REPLACED BY A COMPLETELY NEW ITEM. THE CURRENT ITEM WAS DRAFTED MANY YEARS AGO TO MEET CONDITIONS IN THE EARLY PIONEERING DAYS WHEN MANY KINDS OF GOODS WERE NOT READILY AVAILABLE IN THE SHOPS AS THEY ARE TODAY. CONSEQUENTLY IT REFLECTS HISTORY RATHER THAN PRESENT-DAY FACTS. FOR EXAMPLE, IT PERMITS BINOCULARS AND CAMERAS TO BE BROUGHT INTO THE TERRITORY DUTY-FREE, WHILE CINE PROJECTORS ARE ASSESSED TO DUTY. PORTABLE TYPEWRITERS ARE FREE, WHILE TAPE-RECORDERS ARE DUTIABLE. THESE ANOMALIES ARE NOW BEING RECTIFIED IN FAVOUR OF THE TAXPAYER. IT HAS ALSO BECOME APPARENT THAT THE CONCESSIONS GRANTED BY THE PRESENT ITEM ARE TOO LIMITED FOR CERTAIN TYPES OF PASSENGER, PARTICULARLY TOURISTS AND PEOPLE ARRIVING TO TAKE UP RESIDENCE IN KENYA FOR THE FIRST TIME.

NEW RESIDENTS WILL, IN FUTURE, BE ASSISTED BY BEING PERMITTED TO IMPORT INTO THE TERRITORY FREE OF DUTY ALL USED

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PERSONAL AND HOUSEHOLD EFFECTS. THEY WILL ALSO BE PERMITTED TO
INTRODUCE FREE OF DUTY A MOTOR VEHICLE WHICH THEY HAVE
OWNED AND USED FOR AT LEAST A YEAR BETWEEN THE DATE ON WHICH THEY
TOOK DELIVERY ABROAD AND THEIR OWN ARRIVAL.

SUCH PEOPLE WILL, OF COURSE, HAVE TO BE
PREPARED TO PAY DUTY ON ANY GOODS WHICH THEY MAY SELL WITHIN TWO
YEARS OF THE DATE OF IMPORTATION. THEY WILL ALSO HAVE TO PRODUCE
SATISFACTORY PROOF OF THEIR PREVIOUS POSSESSION.

TOURISTS AND VISITING BUSINESSMEN WILL BE ASSISTED BY BEING
PERMITTED TO INTRODUCE FREE OF DUTY ALL THEIR REQUIREMENTS FOR
PERSONAL AND HOUSEHOLD USE DURING THEIR STAY. HERE AGAIN, OF COURSE,
THEY WILL HAVE TO SATISFY THE REVENUE OFFICERS THAT THE GOODS
CONCERNED ARE APPROPRIATE IN QUANTITY AND KIND FOR THE PURPOSE OF
THEIR VISIT. THEY WILL ALSO HAVE TO RE-EXPORT THESE GOODS OR PAY
DUTY ON DEPARTURE.

ANOTHER MEASURE DESIGNED TO ASSIST TOURISTS RELATES TO THE
IMPORT DUTY ON BINOCULARS, TELESCOPES, CAMERAS AND FILMS. AT PRESENT
EAST AFRICA AS A WHOLE RECEIVES SOME £40,000 A YEAR IN DUTY ON THESE
ARTICLES. THE KENYA SHARE HAS BEEN ESTIMATED AT APPROXIMATELY
£13,500. I NOW PROPOSE TO INTRODUCE A NEW TARIFF ITEM, 140A, UNDER
WHICH ALL THESE ARTICLES WILL BECOME FREE OF DUTY. THIS WILL NOT
ONLY ASSIST THE TOURIST INDUSTRY BUT WILL REMOVE A FREQUENT SOURCE OF
DISPUTE AND IRRITATION IN THE EXAMINATION OF BAGGAGE AT PORTS OF
ENTRY. IT WILL, OF COURSE, ALSO GIVE LOCAL TRADERS AN OPPORTUNITY OF
INCREASING THE SALE OF THESE ARTICLES TO VISITORS TO THE COLONY.

A THIRD MEASURE DESIGNED TO ASSIST THE TOURIST INDUSTRY
RELATES TO THE ADMISSION OF ARMS AND AMMUNITION. AT PRESENT, UNDER
TARIFF ITEM 166, RIFLES MAY BE IMPORTED FREE OF DUTY BY MEMBERS OF
RIFLE ASSOCIATIONS AND CLUBS SOLELY FOR THE USE OF THEIR MEMBERS. I
PROPOSE THAT THIS ITEM SHOULD BE REVOKED AND REPLACED BY ONE UNDER
WHICH ALL ARMS AND AMMUNITION MAY BE IMPORTED FREE. THE LOSS OF DUTY
FROM THIS MEASURE WILL BE SOME £3,000 A YEAR. I NEED HARDLY SAY THAT
IT WILL STILL BE NECESSARY FOR THOSE WHO WISH TO POSSESS ARMS AND

AMMUNITION TO OBTAIN THE USUAL LICENCES.

MY NEXT PROPOSAL WHICH RELATES TO THE EXCISE TARIFF IS ALSO, TO A LARGE EXTENT, A TIDYING-UP MEASURE. THERE IS AT PRESENT NO PROVISION FOR THE IMPOSITION OF AN EXCISE DUTY ON LOCALLY MANUFACTURED WINE. I AM ADVISED THAT THIS OMISSION SHOULD BE RECTIFIED. I PROPOSE, THEREFORE, TO INTRODUCE SPECIFIC DUTIES AT THE FOLLOWING RATES. ON STILL WINE SHS.6/- A GALLON AND ON SPARKLING WINE SHS.18/- A GALLON. THESE RATES ARE APPROXIMATELY EQUIVALENT TO 75% OF THE LOWEST SPECIFIC RATES OF CUSTOMS DUTY ON EACH CLASS OF IMPORTED WINE. THE IMPOSITION OF AN EXCISE DUTY WILL MAKE WINE AN ATTRACTIVE INVESTMENT. IN THIS CONNECTION HONOURABLE MEMBERS WILL WISH TO KNOW THAT CONSIDERATION IS BEING GIVEN TO AMENDING THE EXCISE MANAGEMENT ACT TO PERMIT AND CONTROL THE FORTIFICATION OF LOCALLY-MADE WINES WITH SPIRITS, AND THE MIXING OF IMPORTED AND LOCALLY-MADE WINES.

I NOW TURN TO THE PROPOSALS DESIGNED TO INCREASE THE REVENUE.

FOR SOME TIME I HAVE HAD UNDER CONSIDERATION THE ADEQUACY OF OUR PRESENT ARRANGEMENTS FOR THE TAXATION OF MOTOR VEHICLES. THE REVENUE FROM THIS SOURCE IS, OF COURSE, HYPOTHECATED TO THE ROAD AUTHORITY FOR EXPENDITURE ON OUR ROADS. THE PRESENT POSITION IS THAT MOTOR VEHICLES WITH FOUR OR MORE WHEELS WHICH ARE POWERED BY PETROL ARE TAXED IN A FULL YEAR AT A MINIMUM RATE OF £4 FOR THE FIRST 1500 LBS. TARE WEIGHT WITH AN INCREASE OF £1 FOR EVERY ADDITIONAL 250 LBS. TARE WEIGHT OR PART THEREOF. THESE FEES ARE DOUBLED FOR MOTOR VEHICLES POWERED BY ANY FUEL OTHER THAN PETROL. THERE ARE SOME OTHER SPECIAL TYPES OF VEHICLES WHOSE NUMBERS ARE, HOWEVER, INSIGNIFICANT FOR WHICH ENHANCED LICENCE FEES ARE PAYABLE. ADDITIONAL CHARGES ARE ALSO MADE FOR PUBLIC SERVICE VEHICLES DEPENDING ON THE NUMBER OF PASSENGERS WHICH THEY CARRY. HALF FEES ARE CHARGED FOR TRAILERS, AND TRACTORS USED FOR AGRICULTURAL PURPOSES ARE CHARGED AT A FLAT RATE OF £2 PER ANNUM. MOTOR-CYCLES PAY AN ANNUAL LICENCE FEE OF SHS.30/-

WITHOUT SIDECAR AND SHS.40/- WITH SIDECAR. THESE LAST RATES AND THE MINIMUM RATE FOR ALL PETROL VEHICLES HAVE REMAINED UNALTERED FOR THE

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PAST 32 YEARS. THE DOUBLE RATE FOR MOTOR VEHICLES POWERED BY OTHER FUEL WAS FIRST IMPOSED 20 YEARS AGO, WHILE THE INCREASE OF £1 IN THE FEE FOR EVERY 250 LBS. TARE WEIGHT DATES FROM 1952. BEFORE THEN THE INCREASE WAS SHS.10/- ONLY.

FOR THE YEAR 1959, THE TOTAL NUMBER OF LICENSED MOTOR VEHICLES IN KENYA, INCLUDING MOTOR-CYCLES AND TRAILERS, WAS ABOUT 78,000. OF THIS TOTAL, 57,000 WERE IN THE LIGHT VEHICLE CLASS WEIGHING 4,000 LBS. OR LESS. WITHIN THIS CLASS IN THE FOUR YEARS 1956 TO 1959 INCLUSIVE, THE NUMBER OF VEHICLES IN THE CATEGORIES UP TO AND INCLUDING 2,500 LBS. TARE WEIGHT INCREASED BY 41%. THOSE IN THE MIDDLE CATEGORY FROM 2,501 LBS. TO 3,400 LBS. INCREASED BY 21%. THOSE IN THE HEAVIEST CATEGORY FROM 3,401 LBS. TO 4,000 LBS. DECREASED BY 19%. IN THE PAST THREE YEARS, THE TOTAL NUMBER OF VEHICLES REGISTERED IN THE COLONY INCREASED BY 14.8%, BUT, IN SPITE OF THIS, THE AVERAGE RETURN IN LICENCE REVENUE WAS SLIGHTLY LESS IN 1959 THAN IN 1957. THIS IS, OF COURSE, DUE TO THE SWING IN RECENT YEARS TOWARDS LIGHTER TYPE PASSENGER VEHICLES WHICH IS HARDLY SURPRISING IN VIEW OF THE GREATER EFFICIENCY OF SMALL MODERN CARS COUPLED WITH THE GREAT IMPROVEMENT WHICH HAS TAKEN PLACE IN OUR ROADS. I WOULD LIKE TO SAY HERE THAT THIS IMPROVEMENT REFLECTS GREAT CREDIT ON THE WORK OF OUR ROAD AUTHORITY AND OF THE ROADS BRANCH OF THE MINISTRY OF WORKS, AND I TAKE THIS OPPORTUNITY OF PAYING A TRIBUTE TO THEIR EFFICIENCY AND ACTIVITY.

IT IS, OF COURSE, OBVIOUS THAT, AS THE TRAFFIC DENSITY INCREASES AND HIGHER ROAD STANDARDS ARE DEMANDED BY THE MOTORING PUBLIC, MORE AND MORE MONEY IS NEEDED FOR THE MAINTENANCE AND BETTERMENT OF OUR ROAD SYSTEM. AT ONE STAGE IT WAS EXPECTED THAT THE HYPOTHECATED REVENUE WOULD AUTOMATICALLY TAKE CARE OF THIS. UNFORTUNATELY, THE TREND TOWARDS THE PURCHASE OF LIGHTER VEHICLES HAS FALSIFIED THIS VIEW. I CONSIDER THAT STEPS MUST NOW BE TAKEN TO INSULATE THE REVENUE FROM LICENCE FEES AGAINST THIS TENDENCY AND TO TRY TO ENSURE THAT THE RECURRENT REVENUE FROM THIS SOURCE MORE NEARLY

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KEEPS PACE WITH THE INCREASING TRAFFIC. I PROPOSE, THEREFORE, THAT WITH EFFECT FROM THE 1ST JANUARY, 1961, THE MINIMUM ANNUAL LICENCE FEE FOR PETROL POWERED VEHICLES SHOULD BE £8 AND THAT THIS SHOULD APPLY TO ALL SUCH VEHICLES OF UP TO AND INCLUDING 2,500 LBS. TARE WEIGHT. I ALSO PROPOSE THAT THE MINIMUM LICENCE FEE FOR MOTOR-CYCLES SHOULD BE INCREASED TO £3 PER ANNUM WITHOUT SIDECARS AND TO £4 PER ANNUM WITH SIDECARS. THE FEES FOR VEHICLES OF 2,501 LBS. TARE WEIGHT AND ABOVE WILL REMAIN AS AT PRESENT. I AM ADVISED THAT THIS MEASURE SHOULD PROVIDE RATHER MORE THAN £50,000 ADDITIONAL REVENUE FOR THE ROAD AUTHORITY. IN A FURTHER ADDITIONAL ADVANTAGE WILL BE THAT, BY CHARGING FEES AT ONE FLAT RATE FOR NEARLY HALF OF ALL THE VEHICLES LICENSED IN THE COLONY, WE SHALL CONSIDERABLY EASE THE ADMINISTRATIVE TASK OF THE LICENSING AUTHORITIES, THUS ENABLING GREATER ATTENTION TO BE PAID TO THE CORRECT ASSESSMENT OF FEES FOR THE VEHICLES OUTSIDE THAT GROUP.

THE NEW ARRANGEMENTS WILL INVOLVE AN INCREASE OF £4 IN THE LICENCE FEES OF 3½% OF THE VEHICLES IN THE UNDER 2,500 LBS. TARE WEIGHT GROUP. THIS WORKS OUT AT ABOUT SH.1/50 A WEEK. 14% OF THE VEHICLES IN THE SAME GROUP WILL BEAR AN INCREASE OF £3 IN FEES, 35% AN INCREASE OF £2, 20% AN INCREASE OF £1, AND 27½% WILL BEAR NO INCREASE AT ALL. THE INCREASED FEE FOR A MOTOR-CYCLE WITHOUT SIDECAR WILL COST 58 CENTS A WEEK, WHILE THAT FOR MOTOR-CYCLES WITH SIDECARS WILL COST THE OWNERS AN EXTRA 77 CENTS A WEEK.

I HAVE ALSO BEEN CONSIDERING THE TAXATION OF MOTOR FUEL. AT PRESENT PETROL PAYS CUSTOMS DUTY AT THE RATE OF 75 CENTS A GALLON. IT ALSO PAYS CONSUMPTION TAX AT THE RATE OF 32 CENTS A GALLON. THE PROCEEDS OF THE CONSUMPTION TAX, LIKE THOSE OF THE VEHICLE LICENCE FEES, GO TO THE ROAD AUTHORITY. NO DUTY OR TAX IS PAID ON LIGHT DIESEL OIL USED IN MOTOR VEHICLES. THESE VEHICLES, HOWEVER, AS I HAVE NOTED, PAY A DOUBLE LICENCE FEE.

IN NAIROBI, A GALLON OF PETROL IS AT PRESENT SOLD FOR SHS.3/60 AND A GALLON OF LIGHT DIESEL OIL FOR SHS.2/18. I HAVE

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ALREADY SPOKEN OF A SWING IN RECENT YEARS TOWARDS THE LICENSING OF LIGHTER TYPES OF VEHICLE IN THE UNDER 4,000 LBS. TARE WEIGHT CLASS AND OF THE ADVERSE EFFECT WHICH THIS HAS HAD BOTH ON THE CUSTOMS DUTY AND THE CONSUMPTION TAX REVENUE. THIS IS ILLUSTRATED BY THE FACT THAT, IN SPITE OF THE INCREASE OF NEARLY 15% IN THE NUMBER OF VEHICLES LICENSED IN THE COLONY BETWEEN 1957 AND 1959, THE AVERAGE REVENUE PER VEHICLE OBTAINED IN LICENCE FEES AND CONSUMPTION TAX FELL FROM SHS.358/61 TO SHS.334/86 OR 6.6%. I AM ADVISED THAT OF THIS DROP OF SHS.23/~~37~~⁷⁵ PER VEHICLE PER ANNUM, 98 $\frac{1}{2}$ % WAS ATTRIBUTABLE TO PETROL CONSUMPTION TAX REVENUE. THIS CANNOT ALL BE ACCOUNTED FOR BY THE MOVE TOWARDS SMALLER CARS. THERE HAS INDEED BEEN A PARALLEL MOVEMENT IN THE LARGER VEHICLES FROM PETROL TO DIESEL FUEL. IN 1954, ONLY 10% OF LORRIES AND TRUCKS, AND 15% OF OMNIBUSES AND COACHES WERE DIESEL OPERATED. IN 1959, THE FIGURES WERE 31% AND 63% RESPECTIVELY.

IN THEORY, THE DOUBLE LICENCE FEE PAID IN RESPECT OF DIESEL VEHICLES COMPENSATES FOR THE FACT THAT LIGHT DIESEL OIL USED IN SUCH VEHICLES PAYS NEITHER CUSTOMS DUTY NOR CONSUMPTION TAX. UNFORTUNATELY, THIS IS NOT BORNE OUT IN PRACTICE. FOR INSTANCE, THE ANNUAL LICENCE FEE FOR A 5-TON PETROL LORRY IS ABOUT £24, WHEREAS ITS DIESEL COUNTERPART PAYS ABOUT £52. THE DIFFERENCE OF £28 REPRESENTS THE FUEL TAK ON SOME 524 GALLONS OF PETROL, WHICH, AT 10 MILES PER GALLON, IS THE EQUIVALENT OF 5,240 MILES. UP TO THIS MILEAGE THE DIESEL VEHICLE CONTRIBUTES AS MUCH AS, OR MORE THAN, THE PETROL VEHICLE, BUT THEREAFTER THE CONTRIBUTION BECOMES LESS AND LESS AS THE ANNUAL MILEAGE INCREASES. NOT ONLY, THEREFORE, IS THE PRESENT SYSTEM WEIGHTED IN FAVOUR OF THE HEAVIER DIESEL VEHICLE, BUT THE REVENUE IS NOT RECEIVING A CONTRIBUTION TOWARDS THE WEAR AND TEAR ON THE ROADS IN PROPORTION TO THE ANNUAL MILEAGE RUN. FURTHER, THE HEAVY ROAD USER CONTRIBUTES RELATIVELY LESS THAN, SAY, A FARMER WHO NEEDS TO RUN A HEAVY VEHICLE IN CONNECTION WITH HIS BUSINESS, BUT WHO MAY COVER A RELATIVELY LOW MILEAGE PER ANNUM.

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HERE, CLEARLY, IS A STATE OF AFFAIRS WHICH CALLS FOR ADJUSTMENT. MY SECOND MEASURE, THEREFORE, INVOLVES THE IMPOSITION OF A CUSTOMS DUTY OF 75 CENTS PER GALLON ON LIGHT DIESEL OIL AND A CONSUMPTION TAX OF 35 CENTS PER GALLON ON THE SAME COMMODITY. I ALSO PROPOSE THAT THE CONSUMPTION TAX ON PETROL SHALL BE RAISED BY 3 CENTS PER GALLON TO A TOTAL OF 35 CENTS PER GALLON, SO THAT THE DUTIES AND TAXES ON PETROL AND LIGHT DIESEL OIL WILL BE AT EQUIVALENT RATES.

I HAVE TWO IMPORTANT POINTS TO MAKE FOLLOWING ON THESE PROPOSALS. THE OPERATOR OF A DIESEL VEHICLE WOULD BE UNFAIRLY PENALISED BY THESE NEW ARRANGEMENTS IF HE WERE TO CONTINUE PAYING A DOUBLE LICENCE FEE FOR HIS VEHICLE. IN ORDER TO REMEDY THIS SITUATION, I PROPOSE THAT THE DOUBLE LICENCE FEE FOR DIESEL VEHICLES SHOULD NO LONGER APPLY AFTER THE 1ST MAY, 1960. I ALSO PROPOSE THAT REFUNDS SHOULD BE MADE IN RESPECT OF THE PERIOD FROM THE 1ST MAY TO THE 31ST DECEMBER, 1960, RELATING TO THE UNEXPIRED PORTION OF LICENCES FOR THE CURRENT YEAR WHERE A DOUBLE FEE HAS ALREADY BEEN PAID. FULL DETAILS OF THE ARRANGEMENTS FOR SUCH REFUNDS WILL, I HOPE, BE PUBLISHED TOMORROW.

MY SECOND CONSEQUENTIAL POINT CONCERNS THE EFFECT OF THE NEW DUTY AND TAX ON OUR MAJOR INDUSTRY, AGRICULTURE, WITH WHICH I WISH TO COUPLE, IN THIS CONTEXT, THE SAWMILLING INDUSTRY. INFORMATION HAS BEEN PRODUCED WHICH INDICATES THAT THE EFFECT WILL BE SEVERE IN BOTH CASES. I PROPOSE, THEREFORE, THAT FARMERS AND SAWMILLERS MAY APPLY FOR A REFUND OF THE WHOLE OF THE DUTY AND TAX PAID ON LIGHT DIESEL OIL WHERE THIS CAN BE SHOWN TO HAVE BEEN USED IN AGRICULTURAL TRACTORS AND IN TRACTORS EMPLOYED IN LOGGING. I INTEND THAT CLAIMS SHOULD BE MADE QUARTERLY IN ARREARS

TO THE MINISTRIES OF AGRICULTURE AND FORESTS RESPECTIVELY. HONOURABLE MEMBERS WILL RECALL THAT SIMILAR ARRANGEMENTS FORMERLY APPLIED TO THE REFUND OF DUTY ON KEROSENE USED IN AGRICULTURAL TRACTORS. FULL DETAILS OF THE ARRANGEMENTS WILL BE PUBLISHED SHORTLY.

SECRET

I ESTIMATE THAT IN A FULL YEAR THE RETURN FROM THE CUSTOMS DUTY TOWARDS THE GENERAL REVENUES OF THE COLONY WILL BE OF THE ORDER OF £450,000. THE CONSUMPTION TAX, INCLUDING THE SMALL INCREASE IN THE PETROL CONSUMPTION TAX, SHOULD BRING IN AN ESTIMATED £260,000. THIS, TOGETHER WITH THE £40,000 TO BE DERIVED FROM LICENCES ON THE SMALLER VEHICLES DURING THE NEXT FINANCIAL YEAR, WILL GO TO THE ROAD AUTHORITY. THEY WILL, HOWEVER, LOSE APPROXIMATELY £95,000 AS A RESULT OF MY PROPOSAL RELATING TO LICENCE FEES FOR DIESEL VEHICLES, SO THAT THE TOTAL GAIN TO THEIR REVENUES WILL BE OF THE ORDER OF £205,000. IT WILL, OF COURSE, BE NECESSARY TO INCREASE THE PROVISION FOR THE STATUTORY GRANT TO THE ROAD AUTHORITY REVENUE BY THIS AMOUNT. THE REVENUE HEAD - OTHER LICENCES, DUTIES AND TAXES - HAS BEEN INCREASED BY A CORRESPONDING FIGURE. A CONSIDERABLE PART, IF NOT THE WHOLE, OF THE £450,000 INCREASE IN GENERAL REVENUE WILL, OF COURSE, ALSO BE TAKEN UP IN MEETING LOAN CHARGES ON CAPITAL ROAD WORKS.

HONOURABLE MEMBERS WILL WISH TO BE INFORMED OF THE EFFECT OF THESE PROPOSALS ON THE COST OF LIVING. I AM ADVISED THAT THE RISE IN VEHICLE LICENCE FEES AND OF THE INCREASE OF 3 CENTS IN THE PETROL CONSUMPTION TAX WILL HAVE A NEGLIGIBLE EFFECT. I AM ALSO ADVISED THAT THE TOTAL EFFECT OF ANY INCREASE IN THE COST OF TRANSPORT OF MERCHANDISE ON THE NAIROBI COST OF LIVING INDEX, DUE TO THE CUSTOMS DUTY AND CONSUMPTION TAX ON LIGHT DIESEL OIL, WILL BE LESS THAN ONE-THIRD OF ONE PER CENT. FINALLY, I AM ADVISED THAT, IN TERMS OF PASSENGER MILES, THE NEW MEASURES SHOULD HAVE ONLY A FRACTIONAL EFFECT ON PASSENGER TRANSPORT SO FAR AS THE TRAVELLING PUBLIC IS CONCERNED.

THIS COMPLETES MY PROPOSALS RELATING TO REVENUE FROM CUSTOMS AND EXCISE DUTIES, AND FROM VEHICLE LICENCES. AS I HAVE STATED, IT IS INTENDED THAT THE PROPOSALS RELATING TO LICENCE FEES SHOULD COME INTO EFFECT ON THE 1ST JANUARY, 1961. ALL THE OTHER PROPOSALS RELATING TO THE CUSTOMS AND EXCISE TARIFFS, AND TO THE CONSUMPTION TAX, WILL COME INTO FORCE AT MIDNIGHT TONIGHT. CONFIRMATORY LEGISLATION WILL BE PUBLISHED AND INTRODUCED AT THE APPROPRIATE TIME. AT THIS STAGE, ALL

SECRET

I NEED DO IS TO INFORM THE HOUSE OF ONE FURTHER PROCEDURAL INNOVATION IN THE PAST, EACH TYPE OF REVENUE MEASURE HAS BEEN DEALT WITH IN A SEPARATE BILL. THIS YEAR, WE PROPOSE TO INCLUDE ALL THE REVENUE PROPOSALS IN ONE COMPREHENSIVE FINANCE BILL. I TRUST THAT THIS WILL BE FOUND TO BE A CONVENIENT METHOD OF PROCEEDING AND WILL THUS COMMENT ITSELF TO ALL HONOURABLE MEMBERS.

IT WILL BE REMEMBERED THAT THE OVERALL NET ESTIMATE OF EXPENDITURE FOR THE COMING YEAR WAS APPROXIMATELY £32,014,000. THE INCREASE IN THE STATUTORY GRANT TO THE ROAD AUTHORITY WILL BRING THIS ~~UP TO £32,219,000.~~ THIS YEAR'S REVISED ESTIMATE OF REVENUE WAS £30,831,000. WE ANTICIPATE THAT, AT EXISTING LEVELS OF TAXATION, A FURTHER £753,000 WILL ACCRUE DURING 1960/61, BRINGING THE TOTAL TO £31,584,000. THIS LEAVES A GAP OF SOME £635,000 WHICH WILL BE RATHER MORE THAN COVERED BY THE PROCEEDS OF MY INDIRECT REVENUE PROPOSALS. THESE WILL BRING THE TOTAL REVENUE FIGURE TO £32,239,000, LEAVING US WITH AN ESTIMATED SURPLUS OF APPROXIMATELY £20,000. I HAVE, THEREFORE, NO FURTHER REVENUE PROPOSALS TO MAKE.

MR. SPEAKER. AT THE BEGINNING OF THIS SPEECH I SAID THAT THE PEOPLE OF KENYA HAD, THROUGH THEIR EFFORTS, MADE IT ONCE MORE POSSIBLE FOR US TO STAND ON OUR OWN FEET. THE WAY AHEAD WILL NOT BE EASY. WE SHALL ALL HAVE TO WORK EXTREMELY HARD IN THE FUTURE.

WE MUST CONTINUE TO ELIMINATE WASTE, TO PUT ECONOMIC NECESSITIES BEFORE ALL ELSE, AND TO ENDEAVOUR TO INCREASE OUR EFFICIENCY IN ALL WALKS OF LIFE. IF THIS IS DONE, AND ONLY IF THIS IS DONE, WE SHALL BE ABLE TO PROVIDE ALL OUR PEOPLE WITH MORE OF THE SOCIAL AND OTHER BENEFITS TO WHICH THEY NATURALLY ASPIRE. GIVEN COOL HEADS, STOUTHEARTS, HARD SINEWS AND - DARE I SAY IT - SLOW TONGUES, I BELIEVE THAT IT CAN BE ACHIEVED. MAY I EXPRESS THE HOPE OF THE GOVERNMENT AND OF ALL MEMBERS OF THIS COUNCIL THAT IT WILL, IN FACT, BE ACHIEVED.

MR. SPEAKER. SIR, I BEG TO MOVE.