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**EAST AFRICA PROTECTORATE.**



**Minutes of the Proceedings  
of the Legislative Council  
of East Africa.**



**(Extraordinary Session)**

**1920.**

*11th February, 1920.*



**Nairobi,**

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British East Africa.**

11TH FEBRUARY, 1920.

The Council assembled at Government House, Nairobi, at 10 a.m., on the 11th February, 1920, HIS EXCELLENCY THE ACTING GOVERNOR (SIR CHARLES CALVERT BOWRING, K.B.E., C.M.G.), presiding.

*Present:—*

THE HON. THE ACTING CHIEF SECRETARY (W. J. MONSON).  
THE HON. THE ACTING ATTORNEY GENERAL (I. L. O. GOWER).  
THE HON. THE TREASURER (W. A. KEMPE).  
THE HON. THE CHIEF NATIVE COMMISSIONER (J. AINSWORTH, C.M.G., C.B.E., D.S.O.).  
THE HON. THE ACTING LAND OFFICER (H. T. MARTIN).  
THE HON. THE DIRECTOR OF AGRICULTURE (A. HOLM).  
THE HON. THE PRINCIPAL MEDICAL OFFICER (A. D. MILNE, C.M.G.).  
THE HON. THE GENERAL MANAGER, UGANDA RAILWAY (S. COUPER).  
THE HON. THE ACTING DIRECTOR OF PUBLIC WORKS (W. BLAIN).  
THE HON. THE POSTMASTER GENERAL (J. T. GOSLING).  
THE HON. THE ACTING SOLICITOR GENERAL (K. J. MUIR MACKENZIE).  
THE HON. T. A. WOOD, M.B.E.  
THE HON. E. A. PHELPS.  
THE HON. W. MACLELLAN WILSON.  
THE HON. J. C. COVERDALE.  
THE HON. V. V. PHADKE.

*Absent:—*

THE HON. K. E. H. RODWELL.  
THE HON. P. L. UYS.  
THE HON. ABDUL RASUL ALLIDINA VISRAM, M.B.E.  
THE HON. SHEIKH ALI BIN SALIM, C.B.E.  
THE HON. C. W. HOBLEY, C.M.G.  
THE HON. F. W. MAJOR, C.M.G., I.S.O.

#### ADMINISTRATION OF OATH.

THE PRESIDENT administered the Oath of Allegiance to the Hon. A. Holm, Director of Agriculture, as a provisional Member.

#### THE PRESIDENT'S REMARKS.

HIS EXCELLENCY said that Honourable Members had been called together in order to give effect to some urgent Legislation which he had been instructed by the Secretary of State for the Colonies to introduce in order to alleviate the present exchange.

He said the Bill would be introduced by the Hon. the Treasurer who would explain the details of the provisions and its effect on the local currency and exchange problems.

THE HON. THE ACTING CHIEF SECRETARY introduced a special Emergency Certificate which was read and signed by His Excellency. He then moved that the Standing Orders be suspended in order that the Bill might be introduced and passed.

THE HON. THE ACTING ATTORNEY GENERAL seconded.

The question was put and carried.

#### THE BANK OF ENGLAND AND TREASURY CURRENCY NOTES ORDINANCE, 1920.

THE HON. THE TREASURER in pursuance of notice given, introduced and moved the first reading of a Bill intituled "An Ordinance to make Notes of the Governor and Company of the Bank of England and Treasury Currency Notes legal tender in the East Africa Protectorate."

He said the object of the Bill was to introduce a measure whereby the sterling exchange in this Protectorate might be kept from rising above 2/4d. The effect of this measure, now that the exchange value of the Indian rupee had risen to practically 2/9d would ordinarily be to drive the Indian rupee and Indian one rupee notes out of circulation. There were other measures now in force by which the exportation of rupees and one rupee notes was prohibited. The exchange rate with India had gone up to a premium of 20% on remittances from here to India and the result would be an increase in the cost of foodstuffs and other imports from India.

THE HON. THE ACTING ATTORNEY GENERAL seconded.

The question was put and carried.

The Bill was read a first time.

THE BANK OF ENGLAND AND TREASURY CURRENCY NOTES  
ORDINANCE, 1920.

THE HON. THE TREASURER moved that a Bill intituled "An Ordinance to make Notes of the Governor and Company of the Bank of England and Treasury Currency Notes legal tender in the East Africa Protectorate," be read a second time.

THE HON. THE ACTING ATTORNEY GENERAL seconded.

The question was put and carried.

DEBATE.

THE HON. T. A. WOOD said he had a few remarks to offer on the subject. He was very dubious, as also were other people he had spoken to, about the practical result of this measure. He thought at first that it had been introduced with a view of stabilising the rate of exchange between England and East Africa. But the first thing that happens before the Bill comes into force is that the cost of produce from India goes up 20%. This country was dependent on India for flour and other foodstuffs. The local Wheat industry was dead. He feared that the building industry would suffer most. East Africa was a new country to-day and what one wanted in a new country was buildings. The first thing people who settled in the country did was to put a roof over their heads. The Indian artizans held the building monopoly here and had got us and we could not help ourselves. He could say he would not work unless paid Rs. 10/- per diem and we would have to pay it whether we liked it or not. He was not sure that the artizan would not be justified in demanding increased wages as he had good grounds if foodstuffs were going up in price. He said it was surely not the intention to fix a certain value of the rupee in this country as against the value in India? There should be an equal exchange value for the rupee in each country. It seemed to him as if they were trying to interfere artificially with a world movement. He quite understood that the Home Government had ordered this Bill to be passed. He personally thought some further explanations should be given to Honourable Members and under these circumstances he was not inclined to vote for the measure.

THE HON. V. V. PHADKE said he was not a Bank expert in matters of Currency and Exchange and he would only offer such remarks on the subject as would affect the general public to which he belonged. He said everyone was in sympathy with a measure which would standardise the Exchange, if possible, but it was quite a different matter to lay down the value at Rs. 8/50 to the pound. It would mean an immediate rise in the price of foodstuffs which would hit the poorer classes of the Indian community very hard indeed. To the exporter it was no doubt a benefit to get more value in pounds or rupees. He did not think a solution had yet been found.

Earlier attempts to fix the Indian exchange had been made and failed during Lord Curzon's Viceroyalty, and the system known as Exchange Compensation had had to be introduced for Indian employees of Government. He hoped this would not be overlooked in this case, as the proposal made a 20% difference in the cost of living among Indians. He reminded Honourable Members that the whole position would hit the Indian small man very hard. He was unable to see how the value could be fixed at Rs. 8/50 and for this reason could not vote for the Bill.

THE HON. J. C. COVERDALE said that he regretted that on the introduction of the Bill they could not have had more information as to the views of the Government as to its application when passed. The only remark made by the Honourable the Treasurer pointed to a disability which was an important one and which could be foreseen, and that was the rise in the price of foodstuffs and the increased value of the Exchange elsewhere. They had been told provision had been made to prevent the export of the rupee but unless the same provision as was being applied here was also applied to the neighbouring Provinces how was this going to be done?

The rupee was 18% higher value in the adjoining territory. To his mind, in a very short time the Silver currency would vanish. Other methods had been proposed to deal with this question of the rupee in the past. For instance, Dual Currency, and he thought that a measure like this would have relieved the position. This was not taken advantage of and the position had grown worse daily ever since.

The Bill, if passed, would have a further influence on salaries. He took as an example the Government Official engaged at Home on contract. For instance a person engaged at Home at £300 per annum. Would that salary now be paid in Treasury or Bank notes? It would reduce the salary from Rs. 4,500/- to Rs. 2,550/-. On the other hand if the position still remained what it was, £300 at the rate of Rs. 15/- the salary was increased from £300 to £530. He could see no advantage in the position as at present defined.

THE HON. MR. PHADKE had suggested that it would be a benefit to the exporter of produce. At the present most of the local industries were dead on account of the rate of Exchange. People who were selling at Home had to leave their money there, and therefore stabilising it at 2/4d would obtain no benefit. He could not support the Bill without further particulars.

THE HON. W. MACLELLAN WILSON said that, like Mark Antony, he could say he was a "plain, blunt man," he did not pretend to be an expert in Exchange and Currency, or even in the handling of money. He said he was not a Banker, yet if the exchange rate went up any higher he would be bankrupt. This was sufficient for him. Some of the speakers who had spoken had shown a problematical loss by the fixing of the rate of exchange. He regretted the Honourable the Treasurer had mentioned only foodstuffs, as there were other goods which would be affected. Now that the War was over shipping would become more prevalent and we would be able to compete with India.

He regretted that the measure was not brought into force a year ago. He suggested that they ought to be independent of India and fix their own standard. He remarked that although we got a certain amount of foodstuffs and other goods from India we could also get them from other places.

He quoted the case of the Carpenter mentioned by Mr. Wood who finds he cannot live on what he was paid and would ask for more money. There were other carpenters from elsewhere who would do the work if our carpenters did not do it.

The only objection he had to the Currency Bill was that it was not fixing the rate of exchange at Rs. 10/-. India was going to fix her currency at Rs. 10/-. If we intended doing it at all now was the time to take the bull by the horns and fix the value at Rs. 10/-. They saw Exchange going higher and higher every day. Goods brought into the country were being sold at very high prices. If a shopman did not know what he was going to pay for his next consignment he had to be very careful about the selling price unless he could rely on a stabilised rupee. He said that if he could now only get Rs. 7/50 for the pound instead of the old Rs. 15/- he was very badly off. It was a very good step that was being taken to stabilise currency. Even at the rate of Rs. 8/50 to the pound people would have to get money out from Home.

THE HON. E. A. PHELPS said there was one point brought forward in connection with the Bill by the Honourable Mr. Coverdale and that was that if one had a rupee with one value in East Africa and another value in India rupees would in all probability go to India. He was not certain on one point. The Bill seemed to him to involve an embargo on the silver coin. His Excellency had said provision had been made prohibiting the export of rupees. However careful the Customs people were passengers to India would take rupees to India and evade the Customs. It would be better to let the rupees go to India and introduce English currency here. With regard to the general principles of the Bill it was most essential to check the rise in the rupee. It was crippling industry and militating against production in this country and his own personal impression was that if the Bill had the effect of driving the rupee out, and introducing English currency here it would be all for the good.

THE HON. THE TREASURER in reply said that some of the Honourable Members who had already spoken had expressed disappointment because he did not say more in his introducing speech. In discussing the question of Exchange he thought that expression and terminology were most difficult points on which to be accurate; and therefore he avoided as far as he could giving undue details. The actual reason why this measure had been introduced was to protect the exporter. He had expected that the position of the exporter would have been more clearly demonstrated by some of the unofficial Members who had more practical experience of it than he had. He did not think there were among the unofficial Members present those who were very conversant with the exportation of produce. The Hon. Mr. Phadke suggested that we did not know what the effects of this measure were going to be. The measure was suggested from Home when it was known that the value of the rupee was about to rise. They did not know what the effect of that would be. The Hon. Mr. Coverdale had painted a gloomy picture of some of the industries in this country. He said the people who have money at Home would keep it there. In the meantime would a Coffee Planter allow his Coffee plantation to go to rack and ruin because he had left the money he had realised on the sale at Home? The Planter although he has realised a certain sum of money in England on the sale of the Coffee has to bring it out here to pay his wages, etc. If there was no check on the rise in value of the rupee the Coffee and other industries would have been very seriously damaged.

Several of the Members who had already spoken had mentioned the stabilisation of the rupee. He did not quite know whether they misunderstood the position or whether a mistake was made in expression. This measure would not stabilise the rupee. There was nothing to prevent it from falling, but this measure prevented it from rising. The hope that some members of the community, who had debts in this country and who had incurred them when the rate of exchange was lower, might entertain of being able to pay them off at the rate of 2/4d was not removed by this measure. It should be understood they were not attempting any control of Exchange of Currency. He understood the Honourable Mr. Coverdale suggested they were undertaking a very big problem which had beaten the Government of India and that it was too much for us to tackle. They were only changing over. In the past they had clung to India to control the exchange rates. The effect of the Bill was to associate themselves with the British exchange.

A point had been raised with regard to the exportation of rupees and rupee notes. He had stated previously that this was prohibited by law. The exportation from this country included the exportation to the neighbouring territory and was forbidden, and of course prohibited exportation by sea. Zanzibar, as far as he knew, had found it preferable to cling

to India. The Tanganyika territory had not yet adopted the change. Uganda, which had the same currency as British East Africa, was giving effect to similar Legislation that very day as well. The possibility or the difficulty of enforcing prohibition of exportation of coins of which there was very considerable inducement had not been overlooked and the Customs Authorities had been ordered to take strict measures to enforce this. Exportation of rupees from the Tanganyika Territory was also prohibited. There was no doubt that considerable quantity of coin would leak out but whether the shortage of coin would be noticed immediately was difficult to say, but the present time was a fortunate one to have brought this measure in because the Cotton crop in Uganda had very nearly all come in and the demand for currency would shrink. There was certainly going to be a shortage of coin some day if some measure was not undertaken beyond the prohibition of exportation, and the message from the Secretary of State for the Colonies, in which instructions with regard to this measure were contained, included the statement that a new coinage was under consideration.

With regard to the payment of salaries. This was rather a difficult question to answer. At the present moment he did not think the Government contemplated making the payment of salaries in British currency notes for one very good reason that there were none available at the present moment. He did not think any difficulty would arise. It was possible that before any difficulty on this score did arise the question of Government salaries would have been considered and some alteration would have been approved; and also possibly the new currency would be on the way. He did not think there was any need to try to tackle this problem until they were faced with the difficulty and he would be content to leave it for the present. He asked the Honourable Members to support the Bill. It was true some sections of the community were going to suffer but on the other hand it was going to save the producing section of the community, who, after all were the most important, from ruin, and was going to prevent a very serious set back to the country.

HIS EXCELLENCY stated that immediately on the receipt of the instructions from the Secretary of State for the Colonies he sent a telegram to the Colonial Office urging the early consideration of a new currency.

That very morning he had received a telegram from the Administrator of the Tanganyika Territory to say that he was putting the position with regard to exchange between British East Africa and the Tanganyika Territory before the Secretary of State for the Colonies.

He was also aware that the Banks had taken the matter up. The Hon. Mr. Phadke's suggestion might be necessary in the case of Asiatics serving in the Protectorate Government but he assured the Hon. Member it was a point which had not been overlooked and would receive consideration. He said that while he was serving in the Far East in 1893 the Government had had the same problem facing them and it had been adjusted by means of a graduated scale of Exchange compensation.

The question was put and carried.

THE HON. THE TREASURER moved that Council resolve itself into a Committee to consider the provisions of the Bill.

THE HON. THE ACTING ATTORNEY GENERAL seconded.

The Council resolved itself into a Committee of the whole Council, HIS EXCELLENCY THE ACTING GOVERNOR, presiding.

*In Committee.*

*The Council resumed its sitting.*

#### THE BANK OF ENGLAND AND TREASURY CURRENCY NOTES ORDINANCE, 1920.

THE HON. THE TREASURER reported the Bill to Council unamended and moved that a Bill intitled "An Ordinance to make Notes of the Governor and Company of the Bank of England and Treasury Currency Notes legal tender in the East Africa Protectorate," be read a third time and passed.

THE HON. THE ACTING ATTORNEY GENERAL seconded.

The question was put and carried.

The Bill was read a third time and passed.

#### MOTION FOR ADJOURNMENT.

THE HON. THE ACTING CHIEF SECRETARY moved that Council stand adjourned till further notice.

THE HON. THE ACTING ATTORNEY GENERAL seconded.

The question was put and carried.

*Council adjourned accordingly.*