1936

Kenya.

No. 39060

SUBJECT CO533/464

Magadi Soda Company Ltd

Previous	
1935	
Subsequent	
1937	

C.9.

Title [illegible]

1 H. F. Marriott —— 3.2.36

Assumes that para. 4 of 26/38060/35 does not imply that the Govt. could increase the rate of royalties beyond the maximum laid down in the lease. Secy. of State's confirmation [illegible] that it may be confirmed that salt is a soda product within the meaning of the principal lease.

[illegible] simple as it looks. Under the [illegible] lease of the Magadi Company the royalty payable is 2/- a ton on soda and [illegible] on "soda products". The question was raised whether salt was or was not a soda product and we have been advised and have advised the [illegible] that [illegible] (see despatch of 9th of April [illegible], No. [illegible]). Apart from this there is the question of the Supplemental Deed. The original Deed had a clause by which the Company undertook to ship 100,000 tons of stuff per annum, but this proved impossible and the Supplemental Deeds have varied it from time to time and the quantity now is 20,000 tons a year. The last Supplemental Deed expires on the 31st of October next.

Both [illegible] [illegible] Supplemental [illegible] [illegible]

Now there can be little doubt that under the things as they stand, Kenya cannot vary the rate of royalty imposed by the Main Deed, but when the Supplemental Deed is extended in October there would be nothing that I can see to prevent the K.U.R. from saying that as a condition of extension the rates of royalty must be altered. It would be quite easy to insert a clause saying that 'notwithstanding anything contained in Clause 4 of the Principal Lease, the rate of royalty on salt manufactured by the Company shall be x [illegible] ton.'

Now for all we know the K.U.R. may have something of this kind in their mind. From other things I have some reason to think that the General

Manager

Manager is not altogether satisfied with the existing arrangements with the Company and it is quite on the cards that they may want to vary it. For this reason I think that the only reply we can make is that the rates of royalty are laid down in the lease and that they cannot be varied except by agreement between the two parties, which might indeed be made a condition of any extension of the existing Supplemental Lease. Beyond that I do not think we can go and we can say so, and say that we have already advised Kenya that salt does come within the term "soda goods", though we are not sure whether this interpretation is accepted by the Administration.

? So reply, and copy conf to the High Comm'

[illegible]

Yes, except that I think we should [illegible] say that we [illegible] salt being 'soda goods' applies to the main lease as well as to the supplemental lease - that is one of the points that is [illegible] Mr Marriott - though I see no [illegible] grounds for any distinction.

* from the point of view of how the matter is regarded in Kenya.

[illegible] 12.2.36

2 To H.F. Marriott (1 encl.) 17/2/36

3 To H.C. [illegible] 12 (w/c 1-2) A/1a 24 FEB 1936

4. Copy of Report of Directors, Balance Sheet and Accounts for the year ended 31/12/35

Put by J.R.W. Hood 23.4 above

5. H.Marriott,------------------------- 15th.May,1936.
Transmits copies of the Report of the Directors and Balance Sheet for 1935 and Proceedings of the 11th. General Meeting of the Co. on the 28.4.36., and of a Memorandum on the Constitution of the Co., and comment on the outturn of 1935.

Sir C. Bottomley

Sales went up because of Japanese demand in 1935; but the future is gloomy.

? Copy to Gov. [illegible] & ask well [illegible]

J.R.W. Hood 18.5

[illegible] 18.5.36

6 To H.F. Marriott (5 encl.) - 27 MAY 1936

DESTROYED UNDER STATUTE

7 To Kenya 356 (w/c 5 w/c [illegible]) A/1 26 MAY 193[illegible]

Mr.Marriott called today.

(1) <u>Shimanzi</u>. The deal has been concluded with Sir G.Rhodes, who was going to put the matter to the High Commissioner from whom it would go to the Secretary of State. Mr.Marriott hoped that we should be able to approve of the scheme promptly.

(2) <u>Kajiado</u>. He asked whether there was any decision about closing the Administrative Station (for which buildings have been hired from the Magadi Company). I said that it was in the air but that no decision had been taken.

(3) <u>Salt</u>. He asked if we had received the views of the Governors' Conference. I said that we had just got the report of the Governors' Conference but that all the items would need careful consideration and although we would waste no time I could not tell him yet what the decision would be. I told him that there was a good deal about not committing the Governments of the future, but that is inevitable.

(4) Mr.Marriott emphasised the desirability of showing the Magadi enterprise as being in full operation. In the autumn a new deal was required with the Debenture holders and unless they are assured that the business has prospects it is quite possible that they would foreclose and sell up. The Company has collected and is collecting so large a cash balance that, at the present price of

the

the Debentures, selling up ~~might~~ would be a profitable arrangement. (Perhaps people who paid £100 for a debenture would think differently)

W.R.S. 22.6.36

8 Papers circulated in connection with the E.A. Governors Conference June 1936

9 Extract from proceedings of E.A. Governors Conference June 1936

We can only inform Mr Marriott of the conclusions reached by the Governors

(I think it is clear that when the question of the extension of the Supplemental deed arises the H.C. or Transport will insist that salt railed from Magadi to the Coast shall not be carried at the concession rate of Sh. 18/50 a ton reserved for soda & soda products, but at the full tariff rate charged for the carriage of salt.)

C.R. Grossmith 9/7/36

? For the present, it will be sufficient to send to Mr. Marriott so a copy of the passage marked X in No 9.

J.J. Paskin 13/7.

I think so. I hope the Railway won't try to charge full rates, but it's the sort of thing they do. I would rather help the Co. than some other things that are done.

So proceed. I think a letter that the local people are rarely keeping their hands free

W.R.S. 14.7.36 at once

10 To Marriott (encl. extract of 9) 18 JUL 1936

DESTROYED UNDER STATUTE

11. Secy.Gov.Confce.---------------------- 18 July,1936.
Transmits copy of letter addressed to the Magadi Soda Company by the Secretariat,Kenya informing them of the decisions at the Governor's Conference.

? Put by.

C.R. Grossmith 29.7.36

J.J. Paskin 30/7

at once

N.B. East African Governors do not intend to comment on the proceedings of the Governors Conference (No.8) (but see 11 overleaf)

Orig. on 46506/C/36
East Africa.

12. Governor tel.No.169.----------------- 17.7.36.
Presumes Company will approach C.O. as to extension of period of operation.

We shall no doubt hear from Mr Marriott in due course. (The supplemental Deed expires on 31st October 1936)

? Put by
[illegible] 17/7/36

J.J. Paskin
18/8
at once

N

13. H.F.Marriott.------------------------ 20.8.36.
For reasons set out, requests that a further extension of the Supplemental Agreement for 2 years from 31.10.36 may be granted.

Send a copy to Gov by air mail for comments referring to No 1 & to No 10 on 23078/34. Ask for early reply.
Copy of the desp to High Comm' for Transport C.F.
And tell the Co this has been done.
[illegible]
[illegible]

14 To H F Marriott (13 [illegible]) 25 Aug 36

DESTROYED UNDER STATUTE

Air mail 27/8/36
15 To Kenya 670 (w/c 13) Cons
16 . HC Transpt 82 (w/c 13+15) A/la
27 AUG 1936

DESTROYED UNDER STATUTE

H/10
17 To [illegible] tel 218 Cons 18.9.36.

DESTROYED UNDER STATUTE

18. H.F.Marriott.------------- s/o ----------------- 23.9.36
Would have preferred a decision by telegraph; in the circumstances will call at the C.O. on 5th.October.

DESTROYED UNDER STATUTE

[illegible]
Put by
[illegible] 24.9 [illegible]

19. Governor tel.No.229. ----------------- 24.9.36.
No.17 ansd; agrees to renewal of the supplemental deed for 2 years with the modifications specified.

Sir J Campbell

18 was because I took the telegram about the peer to refer to both questions (otherwise why two despatches?) and so did Mr Yarnold so. I have now informed him as to this.

The Agreement provides that the Co. must
20 put on rail 100,000 tons of "soda goods". This
21 quantity proved too much and in 1931 it was reduced by agreement (the Supplemental Deed) to 40,000. This also proved rather more than the Co. could reasonably count on selling and in 1932 the 40,000 was allowed to be spread over 2 years, thus in practice making it 20,000 tons a year. The Co is not bound actually to rail the stuff but must pay the railway the freight on it at the rate of 18s 6d a ton (£37,000 in two years). In practice they have exported well over their quota but their market is very uncertain. It lies in Japan & Australia. Australia is known to be starting its own soda works and Japan may at any time.

The Railway has always complained at the reduction arguing that anything less than 40,000 tons a year was not economic (see No 45 on 18074/32 part 2) and the Kenya Govt also displays a general hostility to the Co. (why I can't make out). Hence the suggestion to put it up again to 40,000 tons a year. But the telegram to which the Gov refers still holds good and it would be impossible to forecast the future. The Co. is actually railing more than the 20,000 tons but cannot [illegible]

I am therefore quite clear that the 20,000 figure should be retained. If they do ship more all the better – and they have every inducement to sell as much as they can. To insist on 40,000 would be short sighted and would imperil the Co's position as against its debenture holders, because the liability is to pay the freight on the minimum tonnage so that if they could not sell 40,000 tons a year they would still have to pay £76,000 to the railway, which would be too much to face if tonnage drops.

The Salt is another example of how the K.U.R. tries to [illegible] the Co. Soda goods are carried at the special rate from Magadi to Mombasa (but to [illegible] class ordinary rates apply to other destinations). In the supplemental deed the words including common salt were added in one place. The K.U.R. argued that common salt was not a soda product but after consulting the L.O. we told them it was (see No 5 on 38060/35).

Then the Co told us they proposed to go in for salt manufacture on a larger scale and asked for an assurance that charges would not be varied to their detriment. This had nothing to do with the special soda goods rate to the Coast but referred to royalty, possible excise, and alteration of internal rail rates. We couldn't give this. It was discussed at the Govs Conference (No 9 on this file) with the vague result shown "That no undertaking can be given that the present Railway tariff will not be altered".

Now the railway tariff refers to the general freight rates and not to the special agreement and I am quite sure that the K.U.R. will not be justified in charging full rates on Magadi salt sent to Kilindini. That salt is 'soda goods' and should go on being treated as such.

However we can put it to the Co and see what they say.

? Write officially saying that the Govt & the K.U.R. agree to a further two years extension on the same terms except as regards salt which it is proposed to exclude from the special freight rate, and ask if they agree.

[illegible]
25/9

(when they object I suggest that they should be [illegible] supported. Sir [illegible] Bottomley's hope [illegible] in No 9 is sadly falsified)

"The papers available are quite against the possibility, so far as they go.
[illegible] 28/9/36

We have no option, I think, but to put it to the Co., and see what they say. I expect they will say quite a lot!

There is one point I am not quite clear about. The L.O. opinion, as I understand, was given on the basis that any salt manufactured was made from the lake natural source--salt occurs there, and in the making of " soda" salt would therefore be recovered. It is just possible--though I should think unlikely--that the salt they now propose to make in much larger quantities may possibly have some other source: i.e. it may not be a " recovery" product, but may start from some other product recovered from the lake?

If that point emerges, we'd have to consult the L.O. again, and would have to hear the Co's arguments.

2. The crux of the whole thing seems to me to be that, as matters stand, there is no real money available, or likely to be available, from which to meet the further demands from Kenya. Insistence, therefore, must mean the break-up and abandonment of the business. Do they really want that? There may possibly be some margin for further pressure--though on the figures and

probable prospects there certainly is not--but that seems to me the real issue. If they "carry on", the tide may turn. Admittedly, as I understand, there is no lack of business enterprise or efficiency: the Co: is doing all it can. Attempts to get more than the business can pay must lead eventually to abandonment. Does Kenya really want that? I should think not, but they seem to me to be refusing to face that--the real--issue. Nor do they give any reasons that I can discover for their decision as to the coast salt rate.

[illegible]

The 28th: September, 1936.

[illegible] 29/9/36

Mr Marriott tells me that the salt is a soda product as they have only the lake to dig at and it's all one. He does not care about the freight to Kilindini because they do not in practice send any salt near Mombasa (They don't export & they can't compete with Aden). The special rate does not apply except to Kilindini so its withdrawal makes no difference.

But salt is included in the tonnage of "soda goods" and even if the Railway don't allow the special rate it must still count as such - as it now does - Kenya don't say that it is not to count as soda goods so I have added a bit to make it clear.

22 Sir H.P. Marriott — [illegible] 29 SEP 1936

23. H.F.Marriott.---------------------------------- 5.10.36.
No.22 ansd; Company is willing to renew Supplemental Deed for further 2 years on conditions specified; enquires whether extension may be effected by arrangement with the Crown Agents.

This is all right. Mr. Marriott, however, said that if the Company had in fact been in the practice of sending salt from Magadi to Kilindini they would have objected very strongly to the Kenya variation. As it is, since there is no point in their shipping salt to the sea coast they do not mind. It is, however, rather important [illegible] included in the tonnage of soda goods for the purpose of the Company's Agreement, and it was for that reason that I put it in at the end of paragraph 1 of our letter of the 29th of September. When the Governor talks of the recommendation of the Treasurers, which is to be found in No.9, he is at a very curious piece of cross purposes, because the Treasurers had nothing whatever to do with the special rate on salt and other goods sent from Magadi to Kilindini, and the attempt to bolster up this sneaking attack on the Company by reference to the Treasurers is totally unjustified.

~~[illegible]~~ The extension of the Deed can be carried out by exchange of letters, as on the previous occasion, and I submit drafts accordingly.

J.E.W. Hard
[illegible]

[illegible]

~~[illegible]~~

[illegible] 7.10.36

DESTROYED UNDER STATUTE
To Marriott — 23 ansd. } — 9 OCT 1936
25 C.A. — w/c 22, 23 —

By Air Mail 12/10/36 26 To Kenya, Conf. (w/cs 22, 23 + 24 19 Minute) 12 OCT 1936

11 [illegible] (36)

27. Crown Agents, ---------------------------- 16.10.36.
Ref.No.25; transmit copies of correspondence with Company regarding extension of the Supplemental Agreement for further 2 years.

Copy [illegible] w/c 26

Air Mail

J.I.O. [illegible]

[illegible]

By Air Mail 19/10/36 28 To H. Cr. Tept. Conf. — A/la (w/cs 22, 23, 24 + 26)

To Kenya, Conf (w/c 27) A/l 19 OCT 1936

30 Mr. R. FREESTON (S/o to Mr FLOOD) ------ 26.10.36
[illegible] (19), be referred to the Treasurer's Report.

I have [illegible]: copy attached

[illegible]

J.I.O. [illegible]

[illegible]

31. To Mr. Freeston. (30 [illegible]) - 25 Nov. 36

32 Mr Freeston (S/o to Mr Flood) ------ [illegible].12.36

The statement accompanying Mr Freeston's letter shows that the K.U.R. & H. made a loss of £[illegible] on Magadi traffic over the 2 year period 1/4/1932 - 31/3/[illegible] without taking into account Interest and Sinking Fund Contribution for the Cost of Rolling Stock.

Against this statement must be set off Mr Marriott's estimate of soda ash railed during the 2 year period from 1/4/1934, i.e. [illegible] tons representing £[illegible],700 in freight.

Item No 13

In any case it has been agreed that the minimum tonnage arrangement of 40,000 tons spread over 2 years must remain for the next 2 years.

Mr Flood will no doubt wish to talk to Sir G. Rhodes before replying to No 32.

C.[illegible] 29.12.36

In No. 30 Mr Freeston omitted to mention:-

(a) that the "Treasurer's Report" (last paper in No 8) was in fact a report by the Treasurer and the General Manager;

(b) that the [illegible] of the special rate from Magadi brought before the Conference in para 3 of the Genl Manager's memo. (GC(36)18); and

(c) that the reason given by the Genl

[illegible]

Hug (B)

manager for his view that the special rate from Magadi should be abolished was not that the traffic from Magadi was unremunerative, but that the continuance of the special rate, when applied to soda, ash gives the Company an unfair start, and gives the Company an unfair advantage in the coastal markets, both in Kenya & Tanganyika.

J J Paskin
30/XII.

The special rate for Magadi salt was not in point and ought not to have been considered by the Treasurer.

We have now got it out. The G.M. thinks it won't pay on the basis of 20 000 tons a year. Therefore efforts are made to 'cost' the Company, without saying that they want it to go out of business. That is what annoyed me.

If the Company is in fact shipping nearly 40,000 tons a year then there should be a profit to the Railway because this would give another £37 000 revenue less £19,656 - £17,344 net, and the other expenses would not be greatly increased. I don't think much of the rolling stock cost. Was it specially built and can it not be used for something else? Also is it all its time working to Magadi?

The trouble is that the Company agrees to pay freight on the 20.000 ton basis (if it doesn't ship it still pays £37.000 a year). This liability is fixed and appears in the accounts etc. so it looks better to have it low. The more they ship the merrier

J.E.W. Flood
30.12.

53 To Freeston (32 amend) — 31/12/36

By Air Mail
31/12/36

38060/36 Kenya.

10

33

C. O.

Mr. [illegible]

AIR MAIL

Mr.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

Sir G. Bowyer.

Sir J. Shuckburgh.

Perm. U.S. of S.

Parly. U.S. of S.

Secretary of State.

AIR MAIL

C.D. 30 DEC 31

31 DEC 1936

DRAFT.

L. A. Preston Esq. O.B.E.

Dear Preston

Your letter 7/F/A7 of the 11th of December about the Magadi Company. Perhaps it would be as well to close the line from the railway point of view since 20,000 tons a year may not pay.

But if you do close it all your depreciation etc. will continue to run or you will have to write the capital all off. Is that wise? Further we are given to understand that the tonnage railed is nearer 40,000 a year than 20,000 though for various reasons it is good to keep the minimum figure in the Agreement as low as possible.

Can you say that the rolling stock was specially built for Magadi, that it was built out of the five per cent loan, and that it is not and can't be used for anything else? Unless you can is it fair to charge the whole cost against the Company?

Anyhow now we know where we are [illegible] is all to the good but if it be decided

FURTHER ACTION.

It is hard to say so [illegible] but [illegible] try to bring the matter about by other methods. It may [illegible] up and to finance — [illegible] paying things for the Railway. If so we should not be surprised but it may.

I agree of course that to the Railway the only thing that matters is whether it pays but do Railways never work at a loss in order to keep things alive till better days appear? ~~[illegible]~~ Are all rates always remunerative?

[illegible]

(Signed) J. E. W. FLOOD

AIR MAIL. 32

KENYA AND UGANDA RAILWAYS AND HARBOURS.

P O Box 601
Telegrams - HIGHCOMA, NAIROBI.

OFFICE OF THE HIGH COMMISSIONER FOR TRANSPORT.
NAIROBI,
KENYA.

No. L/B/A.7.

RECEIVED
11 JAN 1937
O. O. REGY

11th December, 1936.

Dear Flood,

I am grateful for your letter of the 25th November about Magadi, as it gives me the opportunity for explaining semiofficially a point which the High Commissioner might find it difficult to deal with in a despatch; namely the General Manager's attitude to the enterprise. As head of the Railway, Rhodes quite naturally and properly looks at the problem as an item of Railway business, and from this limited point of view there can be little doubt that it would pay the Railway to close the line rather than keep it open for the present unremunerative volume of traffic. Examination of the files shows that the General Manager has been quite consistent in maintaining this attitude. For instance, in December, 1932, he wrote to the High Commissioner:-

> "There is no Railway reason why the lease should be allowed to continue; in fact there is every reason why it should be terminated unless revenue for the guaranteed minimum of 100,000 tons per annum is in sight. The Railway Administration has always regarded this guarantee of a minimum payment as the most important provision of the lease, as it provided the only safeguard for recovery of heavy expenditure."

From the table, of which I attach a copy, you will see that even 40,000 tons per annum means a loss to the Railway. The table does not include charges in respect of rolling stock; £300,000 has been spent on rolling stock for the Magadi Branch, and the interest and Sinking Fund on this amount alone (~~equivalent to~~ 5 plus 1%) comes to £18,000 per annum which is almost exactly equivalent to the receipts on 20,000 tons of soda.

More recently Rhodes has written - "Nothing that has since transpired has altered my opinion that, from the standpoint of this Service, it would be more economical were the lease terminated than to continue its operation on the basis of a guaranteed railage of £37,000 for a further period of two years."

You may have an opportunity for talking with the General Manager when he is in London, but I hope I have written enough to persuade you that his attitude is not inspired by any sinister antipathy to the Magadi Company, or to I.C.I., but derives solely from his regard for the financial interests of the Railway of which he is business manager.

Yours ever,

C. B. Preston

J. E. W. Flood, Esq., C.M.G.,
Colonial Office,
LONDON.

AIR MAIL.

1332

KENYA AND UGANDA RAILWAYS AND HARBOURS.

P.O. Box 601
Telegrams — HIGHCOMA, NAIROBI.

OFFICE OF THE HIGH COMMISSIONER FOR TRANSPORT
NAIROBI,
KENYA.

No. T/B/A.T.

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C.O. REGY

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Yours ever,

C.B. Reeston

J. E. W. Flood, Esq., C.M.G.,
Colonial Office,
LONDON.

MAGADI BRANCH LINE.

(1.11.32 to 31.10.34)

RECEIPTS.

	£.
60,000 tons Soda @ Shs.12/50 per ton	37,000
All other traffic	10,500
Total	£47,500

EXPENDITURE.

	£
Direct out-of-pocket cost of haulage of Soda @ 2.6 cents per ton mile ...	19,656
Direct out of pocket cost of haulage of other goods traffic @ 2.6 cents per ton mile	1,776
Contribution in respect of depreciation on branch track and buildings, but excluding all rolling stock (2% from 1.11.32 to 31.12.33. 3% from 1.1.34 to 31.10.34)	21,727
Engineering maintenance costs (wages only excluding all supervision) ...	4,257
Loco and traffic staff stationed on branch (wages only, excluding all supervision)	6,041
Maintenance of Telegraph Line (Payment to Government	364
Maintenance of water-pipe line (Payment to Company)	120
Total	£53,941

Loss ... £6,441.

Downing Street,

25th November, 1936.

Dear Freeston,

Your letter of the 26th October No.T/F/A.T. That the Treasurers in Conference were asked to advise about was the attitude to be adopted in regard to the Magadi Company's request for an assurance as to the future policy in regard to salt. It was no part of the Treasurers' business to take into consideration or comment on in any way the special arrangement existing between the Magadi Company and the Railway with reference to the carriage of salt from Magadi to Kilindini. (Incidentally, I am given to understand that they could not possibly use this special rate because even with it they cannot compete with imported salt if they wanted to.)

That being so I don't see why Treasurers and the Governors' Conference started considering the special Magadi rate which had nothing to do with the point referred to the Treasurers. It was for

that

L.B.FREESTON, ESQ., O.B.E.

that reason that I shoved the words of which you complain into the draft despatch.

By the way, if you look at that despatch you will see from paragraph 3 that I cannot quite make out what the attitude of the General Manager is towards the Company. If he wants to put the Company out of business, well and good, but he ought to say so. I do not think anybody does want to put it out of business because it must surely be to the general interest to have some work going on rather than none at all. If there is any idea afloat that Imperial Chemical Industries are at the back of Magadi and have an unlimited purse in which to dip then the idea should be abolished. The position of the Company is precarious and I.C.I. would be quite as likely to cut a loss as not. You can take it that the Company will export all the stuff it can deal with on commercial lines and that it is in the Company's interest to ship as much as possible. After all, why insist upon too large a minimum tonnage? The Company will ship every ton it can and if you have too large a minimum you would simply get a request for its reduction, which would have to be agreed

to

to. However, it seems more or less settled now for some years to come.

Yours sincerely,

30

KENYA AND UGANDA RAILWAYS AND HARBOURS.

P. O. Box 601,
Telegrams :- HIGHCOMA NAIROBI.

OFFICE OF THE HIGH COMMISSIONER FOR TRANSPORT,
NAIROBI,
KENYA.

2/2/A.7.

Confidential

23 NOV 1936

26th October, 1936.

Dear Flood,

I was interested to read the Secretary of State's Confidential despatch to Kenya of the 12th October about the Magadi Supplemental Deed. As regards the second paragraph I am "somewhat at a loss to understand" the Secretary of State's inability to note the relevance of the Treasurers' Report. In the middle of page 2 of that report (GC/36/24) you will find:

> "We consider that when the renewal of the present moratorium comes up for consideration later in the year, salt should be removed from the concession list - Shs.18/50 per ton from Magadi to the Coast - and should be charged the normal tariff rate between Magadi and the Coast. In this particular respect we consider that the existing charges should be increased."

which seemed to me, when I drafted the Governor's and High Commissioner's Confidential telegram 229 of September 24th, to justify the reference in that telegram.

Yours ever,

[signature]

J. E. W. Flood, Esq., C.M.G.,
Colonial Office,
DOWNING STREET, S.W.1.

27

ALL COMMUNICATIONS TO BE ADDRESSED TO THE CROWN AGENTS FOR THE COLONIES, THE FOLLOWING REFERENCE AND THE DATE OF THIS LETTER BEING QUOTED

O/Kenya 31.

TELEGRAMS, CROWN, LONDON
TELEPHONE VICTORIA 7730

RECE
17 OCT 1936
C.O.R

4, MILLBANK,

LONDON, S.W.1

16th October, 1936.

Sir,

With reference to your letter of the 9th October (25) No.38060/36 regarding the Supplemental Deed of the 1st December 1932 between the Magadi Soda Company Limited and ourselves, I have the honour to inform you that a further extension for a period of two years expiring on the 31st October 1938 subject to the provisomentioned in regard to salt produced at Magadi, has been effected by an exchange of letters with the company.

13.10.36.
16.10.36.

2. A copy of the correspondence is enclosed, and we conclude that you will report the matter to the Colonial Government.

3. I take the opportunity to acknowledge the receipt of your letter No. 38060/1/35 18 of the 7th October regarding the purchase of the Company's works at Shimanzi, including the branch railway line, on which subject we are communicating with our Solicitors accordingly.

I have the honour to be,

Sir,

Your obedient servant,

for Crown Agents.

The Under Secretary of State,

COLONIAL OFFICE.

(29) to Kenya

CA.

O/Kenya 31.

COPY.

18

THE MAGADI SODA COMPANY LIMITED.

Imperial Chemical House,
Millbank,
London, S.W.1.

JDE/CB

13th October, 1936.

Gentlemen,

I am advised that the Governor of Kenya and the High Commissioner for Transport for Kenya and Uganda have agreed to the extension for a further period of two years of the Supplemental Deed dated 1st December, 1932, which varies the Covenants in the Magadi Lease and the Railway Lease, on the same terms except as regards Salt produced at Magadi, which it is proposed should be excluded from the special freight rate of 18/6d. per ton for goods carried from Magadi to Kilindini, and should become subject to the normal railway tariff rate in all cases. It is understood, however, that Salt will continue to be ranked as "soda goods" for the purpose of calculating the tonnage railed by the Magadi Soda Company under the terms of the Railway Lease.

I am accordingly instructed by my Directors to apply to you for your formal consent to an extension of the provisions contained in the Supplemental Deed with the aforementioned exception until 31st October, 1938, and should be obliged if you would notify your consent by letter so that the correspondence can be annexed to our copy of the Supplemental Deed, which I take it is all that will be required.

Yours faithfully,

For THE MAGADI SODA COMPANY LIMITED.

(sgd.) J. D. Earlam.

Secretary.

out

C O P Y.

O/Kenya 31.

THE MAGADI SODA COMPANY LIMITED.

Imperial Chemical House,
Millbank,
London, S.W.1.

JDE/CB

13th October, 1936.

Gentlemen,

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I am accordingly instructed by my Directors to apply to you for your formal consent to an extension of the provisions contained in the Supplemental Deed with the aforementioned exception until 31st October, 1938, and should be obliged if you would notify your consent by letter so that the correspondence can be annexed to our copy of the Supplemental Deed, which I take it is all that will be required.

Yours faithfully,

For THE MAGADI SODA COMPANY LIMITED.

(sgd.) J. D. Earlam.

Secretary.

Out

16th October, 1936.

Sir,

I have to acknowledge receipt of your letter reference JDE/CB of the 13th October regarding a further extension of the Supplemental Deed dated 1st December 1932.

I have to inform you that we consent to a further extension of the provisions contained in the Deed for a period of two years expiring on the 31st October 1938, subject to the proviso stated in your letter in regard to salt produced at Magadi. The extension is effected by this exchange of letters.

I am, Sir,

Your obedient servant,

For Crown Agents.

The Secretary,
Magadi Soda Co. Limited,
Imperial Chemical House,
Millbank,
S.W.1.

C. O.

38060/36.

Mr. Flood. 7/10

Mr.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Perm. U.S. of S.

Parly. U.S. of S.

Secretary of State.

DRAFT.

KENYA

Confidential

GOVERNOR

DOWNING STREET.

AIR MAIL

12 October, 1936.

Sir,

I have etc. to acknowledge the receipt of your telegram No.225 Confidential of the 24th of September, in which you inform me that as Governor and High Commissioner you agreed to the renewal of the Supplemental Deed with the Magadi Soda Company for ten years, with the modification that salt produced at Magadi is to be exempt from the special freight rate to the coast and subject to the normal tariff rate. I now enclose a copy of correspondence with Mr. F. Marriott, from which you will observe that the Company is prepared to accept this modification; and that the Crown Agents for the Colonies have been requested

to

To H. Comm. No 12 29 Sept

From No 225 5 Oct

FURTHER ACTION.

Copy High Commr for Transport

to arrange for the necessary exchange of letters.

2. I am somewhat at a loss to understand the reference in your telegram to the recommendation by the Treasurers ~~which~~ as this was not really connected in any way with the special rate accorded to the Company for soda goods shipped from Magadi to Kilindini, but was concerned with possible alterations in the ~~[illegible]~~ freight rates on salt on the railway, concerning which the Company had asked for assurances. ~~This question was in no way connected with the Company's special Agreement and I do not understand why the Treasurers' recommendation is mentioned.~~ You will note, however, that the Company has been informed that, although salt will be subject to the normal railway tariff, it will continue to be ranked as "soda ~~products~~ goods" for the purpose of calculating the tonnage railed by the Company under the terms of their lease. I do not think it would be possible to contend that salt is not "soda goods" for this purpose in view of the previous com[illegible]. ~~Should any attempt~~

C. O.

Mr.

Mr.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Perm. U.S. of S.

Parly. U.S. of S.

Secretary of State.

DRAFT.

FURTHER ACTION.

attempt be made to contend that salt produced at Magadi is not soda goods it must, I think, be held to fail for the reasons already set out.

3. I am somewhat surprised to observe that the General Manager has been urging that the minimum guaranteed tonnage should be raised to 40,000 per annum. It appears to me that it is in the general interest of Kenya and of the railway administration, that the Magadi Company should continue to work. In present circumstances it can do so, provided that it is not unduly restricted and provided that its export trade remains. It can undertake to export a minimum tonnage of 40,000 spread over two years, but any attempt to increase the minimum ~~of 40,000~~ in present circumstances would, I think, simply mean that the Company would go into

liquidation

liquidation, a fact which the K.U.R.

administration might possibly regret.

~~I have accordingly~~ decided, without

~~the slightest~~ hesitation, that the tonnage

arrangements ~~must~~ should remain as at present.

It is not as if the Company is anxious to keep its shipments at a low level; on the contrary the more it can export the better, as that it may be taken for granted that the tonnage admitted is as much as can be profitably marketed.

~~I have, etc.~~

A copy of this desp is being sent to the Rly Comr for Transport

(Signed) W. ORMSBY GORE.

C.O.

38060/36.

Mr. Mcleod.

Mr.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

Sir C. Bottomley. 7.10

Sir J. Shuckburgh.

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

DRAFT.

THE CROWN AGENTS
FOR THE COLONIES.

To Mr Marriott 29 Sept 22

From " 5 Oct 23

FURTHER ACTION.

DOWNING STREET.

9 October, 1936

and 27

Gentlemen,

I am etc. to refer to your letter of the 2 at of August, 1934, No. O/Kenya 31a, and connected correspondence dealing with the extension of the Supplemental Deed between the Magadi Soda Company, and yourselves for a further period of two years, expiring on the 31st of October 1936. It has now been agreed that the Deed ~~may~~ shall be extended for a further period of two years up to the 31st of October, 1938, with the proviso that salt, produced at Magadi, shall be excluded from the special freight rat to the coast of 18/6d. per ton, and shall become subject to the normal tariff rate.

I am to enclose copies o

correspondence with Mr. H.F.Marriott, from which it will be seen that the arrangement is acceptable to the Company and I am to request you to arrange for an exchange of letters, as in the previous instance, in order to provide for the necessary extension.

I am, etc.

(Signed) J. E. W. FLOOD

correspondence with Mr. H.F.Marriott,

from which it will be seen that the

arrangement is acceptable to the Company

and I am to request you to arrange for an

exchange of letters, as in the previous

instance, in order to provide for the

necessary extension.

I am, etc.

(Signed) J. E. W. FLOOD

Sir Hugh F. Marriott ...

PHONE HOLBORN 8846

P/C

6/x

3/c

AFRICA HOUSE,
KINGSWAY,
LONDON, W.C.2.

23

5th October 1936

The Under-Secretary of State for the Colonies,
Colonial Office,
Downing Street,
London, S.W. 1.

RECEIVED
6 - OCT 1936
C.O.

Sir,

I have conveyed to the Board of the Magadi Soda Company the information contained in your letter to me of 29th September 1936 relative to the proposed renewal of the Supplemental Deed for a further period of two years.

(22)

I am pleased to be able to state in reply that the Company is willing to accept the offer to renew the Supplemental Deed for a further period of two years from 1st November next, subject to the alteration mentioned by you in regard to railage rates on salt despatched from the Lake to the Coast.

The Board ask me to enquire if this further extension of the Deed of Variation may be effected as on the previous occasion by an exchange of letters between the Company and the Crown Agents for the Colonies.

I am, Sir,
Your obedient Servant,

H. F. Marriott

C.O.

Mr. Grossmith 29/9/38.
Mr. Parkin 29/9
Mr. Flood 29 fs
Sir C. Parkinson.
Sir G. Tomlinson.
Sir C. Bottomley.
Sir J. Shuckburgh.
Permt. U.S. of S.
Parly. U.S. of S.
Secretary of State.

C.O. R 29 SEP D 29

22

DRAFT. for cons. on

HUGH F. MARRIOTT, ESQ.
M.I.M.M, etc. etc.

29 September, 1938.

3/6

Sir,

I am etc. to refer to the letter (14) from this Department of the ... of August regarding the Magadi Soda arrangements, and to inform you that the Government of Kenya ... the Kenya ... and ... renewal for a further period of two years of the Supplemental Deed between the Crown Agents for the Colonies and the Magadi Soda Company Limited, on the same terms, except as regards salt produced at Magadi, which it is proposed should be excluded from the special freight rate for goods carried from Magadi to Kilindini 18s. 6d. a ton ~~for soda goods~~, and become subject to the normal railway rate in all cases. Salt will however continue to be ranked as "soda goods" for the purpose of calculating the tonnage railed by the Magadi Co. under the terms of the Railway Lease.

2. I am to request that you will be good enough to state whether the Magadi Soda Company accept renewal of the Supplemental Deed on these terms.

I am, etc.

[illegible] FLOOD

cf c.a. 25.

Why 2 Kenya (26) & H. C. (28)

FURTHER ACTION.

G 21 15

Extract from Clause I of the Magadi Railway Lease.

dated 20th March, 1928.

x x x

(L) "Soda Goods" means all or any of the following:-

(i) "Raw Soda" that is to say carbonate of soda and/or carbonate of soda mixed with any other salts as obtained from the Magadi Soda Deposit before calcination.

(ii) "Soda" that is to say soda ash, carbonate of soda and/or other salts of soda as obtained from raw soda as above mentioned.

(iii) "Soda products" that is to say soda crystals, caustic soda, bicarbonate of soda and/or any other commodities or preparations which are recognised as soda products in the chemical industry.

(iv) "Manufactured soda" that is to say manufactured articles or merchandise of which soda or soda products as above mentioned respectively form the essential or main constituents.

(M). "Month" means calendar month.

x x x

Extract from the Magadi Railway Lease, dated

29th March, 1928.

x x x

(IV) (A) The Lessees will in each of the years ending on the 31st day of October 1927, 1928, 1929 1930 and 1931 despatch by railway not less than 50,000 tons of Soda Goods and in the year ending on the 31st day of October 1932 and every subsequent year ending on the 31st day of October during the term hereby granted the Lessees will despatch by railway not less than 100,000 tons of Soda Goods.

Provided that subject to Clause 29 whether the minimum weights set out above are despatched by the Lessees or not the Lessees shall be liable for and shall pay to the High Commissioner for Transport the amount of freight appropriate to and due in respect thereof.

x x x

19

COPY FOR REGISTRATION

Telegram from the Governor of Kenya to the Secretary of State for the Colonies.

Dated 24th September, 1936. Received 12-11pm 24th September, 1936.

No. 229. Confidential.

Your despatch of the 27th August (15) No. 670. I agree as Governor and High Commissioner to renewal of supplemental deed for two years with the following modifications. Salt produced at Magadi should be excluded from special freight rate to the coast of 18 shillings6 pence per ton and should become subject to the normal tariff rate. This follows the unanimous recommendation of the Treasurers at Dar es Salaam, see Governors' Conference Paper G.C.(36) 34. General Manager urges that the minimum guaranteed tonnage to the Coast should be 40,000 tons per annum But in view of your telegram of the 14th September 1932, No.182 confidential I must leave decision on this point to you.

Answered (26)

Hugh F. Marriott Edt 13

TELEPHONE 1918 SPEEDWELL.
TELEGRAMS OTMARI, LONDON.

RECEIVED
21 AUG 1936
C. O. REGY

"SPANIARDS FIELD"
WILDWOOD RISE.
N.W.11.
(Hampstead, North End)

20th August 1936.

The Under Secretary of State for the Colonies,
Colonial Office,
Downing Street,
London, S. W. 1.

P/C
4/8

Sir,

Magadi Soda Company Limited.

The Magadi Soda Company has approached me regarding the further extension of the Supplemental Agreement under which the Company pays a railage rate of 18/6 per ton of soda goods despatched to the Coast, subject to a minimum total freight of £37,000 spread over the two year period of the Agreement.

This Supplemental Agreement, which has already been renewed several times, expires on 31st October next and I would be obliged if you would give your consideration to this request for renewal so that I can inform the Board before the date of expiry.

During the last two year period the Soda Ash railed from Magadi from 1st November 1934 to 31st October was 37,934 tons.
From 1st November 1935 to 31st July 1936 there
have already been railed .... 37,000 tons.
During August, September and October it is probable

Ans. (1/4)
Copy to Kenya (15)
H.C. Transport (16)

that there will be railed a further 8,000 to 9,000 tons. This means that there will have been despatched during the last two year period about ......84,000 tons of soda ash to the Coast alone, representing [illegible] in freight.

In addition to this there is the railage of products other than soda ash which will have to be included in the grand total, but these figures will not be available until later in the year.

It will thus be seen that the minimum payments asked for by the Company and hitherto agreed to have not in any way influenced adversely the actual returns made and the Company has during the period, as previously, used every endeavour to get and dispose of the maximum tonnage possible. The goodwill of the I.C.I. in this effort has been and is continuing to be of increasing value to the Company.

On the other hand, the fixing of a minimum payment is a considerable relief to the Company in their deliberations in carrying on their business. Japan, the chief consumer, remains as uncertain as ever and the next largest consumer, Australia, must necessarily fall out as soon as the new factory there is completed.

I would ask you therefore to give this request your favourable consideration so that the Supplemental Agreement may be renewed for a further period of two years from 31st October 1936 to 31st October 1938 in its present from without variation.

I am,

Your Obedient Servant,

Hugh F. Marriott

Hugh F. Marriott

Cong. on 46506/1/36 A

(E)

TELEGRAM from the Governor of Kenya to the Secretary of State for the Colonies.

Dated 17th July. Received 10 a.m. 17th [illegible]

No.169 Confidential. Your despatch No.[illegible] of the 8th July proceedings of the Governor's Conference. As [illegible] item XIV I propose to defer replying [illegible] despatch confidential of the 24th March [illegible] revision of salaries until the result of [illegible] Financial Commission's enquiries are known. That Magadi Soda Company will approach you regarding extension of the period of operation of the existing supplemental deed in the light of item XV.

BY AIR MAIL

11

OFFICE OF THE
CONFERENCE OF EAST AFRICAN GOVERNORS.
P. O. Box 601
NAIROBI

When Replying Please Quote T/F/A.7

28 JUL

18th July, 1936

Subject THE SALT INDUSTRY IN EAST AFRICA

No 2

(1) Reference Your No. 38080/36 of 9.1.36

(2) Reference My No. T/F/A.7 of 13.6.36

(3) " Your " B/CUS.8/37/6/80 " 16.7.36

Enclosures.

The Secretary to the Governors' Conference presents his compliments and has the honour to forward the accompanying copy of this office letter No. T/F/A.7 dated 18th July to the Government of Uganda, with enclosure, for information.

(1) The Under Secretary of State,
Colonial Office,
LONDON, S.W.1

(2) The Hon' General Manager,
Kenya and Uganda Railways and Harbours,
NAIROBI.

(3) The Hon' Colonial Secretary, NAIROBI - without enclosure.

2/F/A.7

18th July, 1936

Sir,

With reference to Items II and XV of the Conclusions of the Governors' Conference held recently in Dar es Salaam, I have the honour to transmit, for your information, a copy of a letter which has been addressed to the General Manager of the Magadi Soda Company by the Government of Kenya.

2. A copy of this letter, with enclosure, is being sent to the Colonial Office.

I have the honour to be,

Sir,

Your obedient servant,

L. B. FREESTON

SECRETARY,
GOVERNORS' CONFERENCE.

THE HON' CHIEF SECRETARY,

ENTEBBE.

THE SECRETARIAT,

NAIROBI.

14th July, 1936

D/CUS.8/37/6/48.

The General Manager,
Magadi Soda Company,
MAGADI.

Sir,

I have the honour to refer to your letter of the 20th April, 1936, forwarding copies of a memorandum on the Salt Industry in East Africa, prepared by the Magadi Soda Company Ltd. for consideration by the Conference of East African Governors. I am directed to inform you as follows:-

(a) That there is at the present time no intention of reducing the basic Customs duty on salt imported into Kenya, Uganda and Tanganyika from outside the Customs Agreement area;

(b) that no assurance can be given that an increase in the import duty would accompany the imposition of an excise duty on salt; Government must remain free to deal with the taxation of salt from time to time in accordance with the circumstances of the case;

(c) that no undertaking can be given that the present Railway tariff will not be altered in such a way as to place Magadi salt in a less favourable position than its competitors; but no rates are altered by the Kenya and Uganda Railway Administration without regard to all vested interests, and after consultation with those concerned.

I have the honour to be,

Sir,

Your obedient servant,

(sd). N.J.B. SABINE

for COLONIAL SECRETARY.

EXTRACT FROM PROCEEDINGS OF E.A. GOVERNORS CONFERENCE,
JUNE, 1936.

9

II.—THE SALT INDUSTRY IN EAST AFRICA

The Conference had under consideration a Note by the Secretary, a memorandum by the Magadi Soda Company Limited, together with the comments of the General Manager, Kenya and Uganda Railways and Harbours, thereon. (Papers Nos. GC (36) 5, 14 and 18.)

It was agreed to refer this subject in the first instance to the three Treasurers and the General Manager of the Kenya and Uganda Railways and Harbours who should be asked to advise not only on the immediate issue of the attitude to be adopted in regard to the Magadi Soda Company's request but also on the broader aspects of the taxation of salt in East Africa.

Further consideration of Items I and II was deferred until a later session, when the reports of the Treasurers should be received. (See Items XIV and XV below.)

XV.—THE SALT INDUSTRY IN EAST AFRICA

In addition to the papers noted in the previous discussion recorded under Item II above, the Conference considered a Report by the Treasurers of Kenya, Uganda and Tanganyika and the General Manager of the Kenya and Uganda Railways and Harbours (Paper No. GC (36) 34).

(Note.—Sir H. Kittermaster was not present during the discussion of this item.)

(19)

As regards the reply to be made to the requests put forward by the Magadi Soda Company, the Conference saw no reason to differ from the Treasurers' views, but preferred to limit their conclusions to the following:—

THE CONFERENCE AGREED that the Magadi Soda Company might be informed—

(a) that there is at the present time no intention of reducing the basic Customs duty on salt imported into Kenya, Uganda and Tanganyika from outside the Customs Agreement area;

(b) that no assurance can be given that an increase in the import duty would accompany the imposition of an excise duty on salt. Government must remain free to deal with the taxation of salt from time to time in accordance with the circumstances of the case;

(c) that no undertaking can be given that the present Railway tariff will not be altered in such a way as to place Magadi salt in a less favourable position than its competitors, but no rates are altered by the Kenya and Uganda Railway Administration without regard to all vested interests, and after consultation with those concerned.

Subject to the above,

THE CONFERENCE RECOGNIZED that the terms to be offered by the Government of Kenya to the Magadi Soda Company were a matter for settlement by that Government in consultation to whatever extent might be necessary with the Government of Uganda.

After discussion on the second part of the Treasurers' Report reviewing the broader aspect of the taxation of salt in East Africa,

THE CONFERENCE NOTED the recommendations made by the Treasurers and understood that they would receive further consideration by the Government of Tanganyika.

8

E

CONFIDENTIAL.

CONFERENCE OF GOVERNORS OF BRITISH EAST AFRICAN TERRITORIES.

JUNE, 1936.

PAPERS CIRCULATED IN CONNECTION

WITH THE CONFERENCE.

GC(36)5.

CONFERENCE OF GOVERNORS OF BRITISH EAST AFRICAN TERRITORIES.

PRODUCTION OF SALT IN EAST AFRICA.

Note by Secretary.

I circulate, for preliminary consideration, the following documents:-

(a) Letter from Colonial Office, enclosing correspondence between the Secretary of State for the Colonies, the Magadi Soda Company and the Governments of Kenya and Uganda and the High Commissioner for Transport;

(b) Memorandum by the Government of Kenya on the taxation of salt in East Africa.

2. It is understood that the Government of Kenya expects to receive in the near future, further representations from the Magadi Soda Company. If these and any expressions of opinion which other Governments may wish to put forward are received in time, a summary will be prepared of the points at issue, for consideration at the Conference of East African Governors.

Nairobi
14.3.36

L. B. F.

Downing Street,

No.38060/35 9th January, 1936.

Sir,

29.10.35
2.11.35
2.11.35
2.11.35
2.12.35
15.12.35
19.12.35
31.12.35
1. 1.36

I am directed by Mr. Secretary Thomas to transmit to you a copy of correspondence regarding the plans of the Magadi Soda Company, Limited, to increase the production of salt at Lake Magadi, for sale in the East African market.

2. It will be seen that the Governments of Kenya and Uganda, and the High Commissioner for Transport, Kenya-Uganda, have been consulted with regard to an assurance sought by the Company that "all charges as at present existing, including those arranged for with the Railway Authorities, shall not be increased in the future so as to put the Company in a less favourable position in its competition with salt from other sources," and that there are considerable difficulties in the way of giving such an assurance.

3. The Secretary of State agrees with the Governor of Kenya that the policy to be followed in regard to the local production of salt and its effect on the revenue of the East African Dependencies might well be discussed at the next Governors' Conference. I am accordingly to request you to arrange for the matter to be included in the Agenda for the next Conference.

I am, etc.

(Signed) J. E. W. FLOOD

THE SECRETARY,
CONFERENCE OF EAST AFRICAN
GOVERNORS.

"SPANIARDS FIELD,"

WILDWOOD RISE, N.W.1.

(Hampstead, North End)

29th October, 1936.

The Under Secretary of State for the Colonies,
Colonial Office,
Downing Street, S.W.1.

Sir,

Magadi Soda Company Ltd.

The soda ash business is definitely limited in the amount that can be sold in the various markets of the world that are open to take Magadi Soda and even the restricted tonnage now being disposed of has no security of continuation owing to the tendency of some of the largest of these markets to provide their own requirements from factories in their own countries.

On an output of soda ash alone the outlook affords little security for a continuation of the business of the Magadi Soda Company in Kenya beyond the limits of the present financial resources and it is necessary for the Company to take every opportunity of adding to its production by increasing production from the Lake deposit by every means that is economically sound.

There is a possibility of off-setting this decreasing tonnage of soda ash by increasing the output of salt so as to provide a large proportion of the needs of Kenya and Uganda and perhaps later on even to secure the whole of these markets and other markets in the interior.

A position has now arisen in this connection in which it is desired to seek the co-operation of the Government authorities in East Africa so as to enable the Company to carry out a progressive programme for the expansion of its salt industry by fixing the rates, royalties and dues of any description which have a bearing upon the delivered cost of Magadi salt as compared with salt from other sources.

This development of the Magadi business calls for the expenditure of further capital for the construction of plant to a considerable amount. Some £26,000 has been voted by the Board for this purpose, £6,000 of which has already been spent.

It has been the practice during the last few years to husband the Company's financial resources to the greatest extent possible so that the works can be kept in operation even in the face of losses in trade. It is inadvisable to weaken the position of the Company financially unless it can be shewn that the money taken from the funds and expended in installing the salt process will be remunerative.

In their enquiry into the amount of security which exists for continuing the salt output once it is commenced on a comprehensive scale the Board of the Company find that although salt is certainly included by inference in the definitions of "soda goods" included in the terms of the Lease, it is not definitely mentioned until the Agreements were drawn up which allow the Company to work on a reduced tonnage below that stipulated in the Lease and these Agreements are not permanently attached to the Lease but have hitherto been renewed every two years.

Arrangements/

Arrangements have already been made with the Railway Authorities which meet the case for the time being and the rates and royalties payable under the Leases and Supplementary Agreements are also on a satisfactory basis at present for the proposed development of this side of the Company's business.

The Company therefore wish to have the definite assurance that the position which now obtains in the working of the product of the Lake by agreement with the Government of the Colony and the Railway Authorities shall be continuous and not subject to alteration at the end of the present two year period and the further expenditure of £20,000 only awaits this assurance so that the industry may be established on a stable basis.

The Board feel assured that the Government of the Colony will, as hitherto, assist them in every way possible in the strenuous efforts they have made and are still making to keep this industry in the Colony on its feet and thus assure a considerable amount of permanent employment and a large inflow of money into the Colony in salaries and wages to the employees besides providing the Railway with regular and systematic haulage.

A large proportion of the new capital expenditure will be spent within the Colony and the production costs will be chiefly in salaries and wages paid locally.

It is desired to proceed with the new construction work at once and when the output of 5,000 tons a year has been reached and a profitable salt industry established, it is probable that still further capital will be sunk in the business and the output increased to 8,000 tons a year or over, this being the total annual consumption apparently available for supplies from Magadi.

The Railway authorities have undertaken that provided the 5,000 ton a year plant is erected they will remove the maximum tariff which operates in favour of imported salt and so give Magadi a better chance in the interior.

It is asked that all charges as at present existing, including those arranged for with the Railway authorities, shall not be increased in the future so as to put the Company in a less favourable position in its competition with salt from other sources.

I am,

Your obedient servant,

(signed) HUGH F. MARRIOTT

KENYA

NO.896

DOWNING STREET.

2nd November, 1935.

Sir,

I have the honour to request your consideration of the enclosed copy of a letter from the Kenya Government Director on the Board of the Magadi Soda Company regarding the Company's intention to spend money in constructing plant at Magadi for the production of salt for sale in the East African market.

2. You will observe that in the last paragraph the Company seek an assurance that "all charges as at present existing.......shall not be increased in the future so as to put the Company in a less favourable position in its competition with salt from other sources." Such an assurance, if given, would be tantamount to a promise that the rate of royalty at present charged by the Government of Kenya will not be increased, and that if the Governments of Kenya and Uganda should decide to impose a duty of excise on salt produced within the territories, the present rate of import duty would be proportionately increased.

3. I desire to learn your views, with all convenient speed, on the propriety of giving the assurance desired by the Magadi Soda Company. A similar despatch is being addressed to the Governor of Uganda, and I am communicating with the High Commissioner for Transport on the question of freight charges on the Kenya-Uganda Railway.

I have the honour to be,
Sir,
Your most obedient, humble servant,

(signed) MALCOLM MacDONALD

GOVERNOR
BRIGADIER GENERAL
SIR JOSEPH BYRNE, G.C.M.G., K.B.E., C.B.,
etc. etc. etc.,

UGANDA PROTECTORATE

NO.518

DOWNING STREET.

2nd November, 1935.

Sir,

I have the honour to request your consideration of the enclosed copy of a letter from the Kenya Government Director on the Board of the Magadi Soda Company regarding the Company's intention to spend money in constructing plant at Magadi for the production of salt for sale in the East African market.

2. You will observe that in the last paragraph the Company seek an assurance that "all charges as at present existing.....shall not be increased in the future so as to put the Company in a less favourable position in its competition

with/

GOVERNOR
P. E. MITCHELL, ESQ., C.M.G., M.C.,
etc. etc. etc.,

with salt from other sources." Such an assurance, if given, would be tantamount to a promise that the rate of royalty at present charged by the Government of Kenya will not be increased and that if the Governments of Kenya and Uganda should decide to impose a duty of excise on salt produced within the territories, the present rate of import duty would be proportionately increased.

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I have the honour to be,
Sir,
Your most obedient, humble servant,

(signed) MALCOLM MacDONALD

TRANSPORT

KENYA-UGANDA

NO.100.

DOWNING STREET,

2nd November, 1935.

Sir,

I have the honour to enclose for your consideration a copy of a letter from Mr. H. F. Marriott regarding the intention of the Magadi Soda Company to construct plant for the manufacture of salt at Magadi. A copy is also enclosed of a despatch which I have addressed to the Governors of Kenya and Uganda.

2. I request that you will inform me at your earliest convenience whether an assurance may be given to the Company that no change will be made in the present arrangements whereunder salt is included in "soda goods" for the purpose of the special tariff applicable to the conveyance of such goods from Magadi to Kilindini, and that the present tariff rates on salt will not be altered in such a way as to place salt produced by the Company at Magadi in a less favourable position in its competition with salt from other sources.

I have the honour to be,
Sir,
Your most obedient, humble servant,

(signed) MALCOLM MacDONALD

HIGH COMMISSIONER FOR TRANSPORT,
KENYA-UGANDA.

Telegram from the Governor of Uganda to the Secretary of State for the Colonies.

Dated 2nd December, 1935. Received 4.36 p.m. 2nd December,

No.106.

Your despatch of the 2nd November No 518 Magadi Soda. I

do/

with salt from other sources." Such an assurance, if given, would be tantamount to a promise that the rate of royalty at present charged by the Government of Kenya will not be increased and that if the Governments of Kenya and Uganda should decide to impose a duty of excise on salt produced within the territories, the present rate of import duty would be proportionately increased.

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I have the honour to be,
Sir,
Your most obedient, humble servant,

(signed) MALCOLM MACDONALD

TRANSPORT

KENYA-UGANDA

NO.100.

DOWNING STREET,

2nd November, 1935.

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I have the honour to be,
Sir,
Your most obedient, humble servant,

(signed) MALCOLM MacDONALD

HIGH COMMISSIONER FOR TRANSPORT,
KENYA-UGANDA.

Telegram from the Governor of Uganda to the Secretary of State for the Colonies.

Dated 2nd December, 1935. Received 4.36 p.m. 2nd December,

No.106.

Your despatch of the 2nd November No.518 Magadi Soda. I

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do not consider that a special undertaking could be given to the Magadi Company only and it would therefore be necessary that any such undertaking should cover all salt producers within the area of the East African Customs Agreement. So comprehensive an undertaking without limit of time seems to me and my advisers improper. Present customs receipts on salt amount to £6,000 and although Uganda would not be seriously affected by loss of this revenue there seems no good reason why it should be surrendered to the Magadi Company. You will appreciate that Uganda gains nothing from royalties on minerals. Interest would therefore lie in the reduction of import tariff if revenue is to be surrendered. For these reasons I should prefer to say no more than that for a period of five years Uganda will not impose an excise duty on salt but reserves the right to lower import tariff in order to lower internal retail prices if revenue is being lost owing to production of Magadi salt but retail prices remain at present level. In other words there is no objection to surrendering revenue to consumers of salt but no reason surrendering it to Magadi except in return for a reduction in local retail prices. I have repeated this telegram to Kenya and the Tanganyika.

Telegram from the Governor of Kenya to the Secretary of State for the Colonies.

Dated 16th December, 1935. Received 10.37 a.m. 16th December

No.294.

Your despatch No.896 of the 2nd November Magadi Soda Company salt production. The Government of Kenya is substantially interested in continuance of activities at Lake Magadi but while any legitimate claim of the company to reasonably favourable treatment will not be overlooked when question of extending for a further period the supplemental deed of 1st December 1932 arises, I do not consider assurance now desired by the company can be given with propriety. The market for locally produced salt must necessarily extend to the three territories and in conformity with the spirit of customs agreement Kenya and Tanganyika may reasonably expect to be credited with revenue derived from salt consumed within their own boundaries. I therefore suggest that policy to be followed relative to local production of salt and its effect on revenue of the territories concerned should be discussed at next Governors' Conference. This would allow time for a decision to be reached before next October when supplemental deed expires.

Copy of this telegram is being sent to the High Commissioner for Transport and Government of Uganda and Tanganyika, the latter being particularly interested by reason of its salt consumption tax procedure.

Telegram from the High Commissioner for Transport Kenya and Uganda Railways to the Secretary of State for the Colonies.

Dated 19th December 1935. Received at 11.7 a.m. 19th December.

No.16.

Your telegram No.11 Magadi. Provided that common salt

produced/

produced at Magadi falls within Imperial Institute definition forwarded your despatch of the 9th April - it will be conveyed to Magadi pier at the rate provided in the lease for soda goods. No rates are altered by this administration without regard to all vested interests and after consultation with those concerned. This policy must be continued and so assurance cannot be given that present tariff will not be altered in such a way as to place Magadi salt in less favourable position than its competitors although no action of this nature is anticipated Copy of this telegram has been sent to the Governments of Kenya Uganda and Tanganyika Territory.

DOWNING STREET.

38060/35

31st December, 1935.

Sir,

I am directed by Mr. Secretary Thomas to acknowledge the receipt of your letter of the 29th of October regarding the intention of the Magadi Soda Company Limited to spend money in constructing plant at Magadi for the production of salt for sale in the East African market.

2. The Governments of Kenya and Uganda and the High Commissioner for Transport have been consulted with regard to your request for an assurance that all charges as at present existing, including those arranged with the Railway authorities, shall not be increased in the future so as to put the Company in a less favourable position in its competition with salt from other sources, and from the replies received it seems unlikely that the desired assurance will be given.

3. The Governor of Kenya states that while any legitimate claim of the Company to reasonably favourable treatment will not be overlooked when the question of extending for a further period the Supplemental Deed of the 1st of December, 1932, arises, he does not consider that the assurance now desired by the Company can be given with propriety.

4. It will be appreciated that such an assurance, if given, would be tantamount to a promise that the rate of royalty at present charged by the Government of Kenya will not be increased in any circumstances, and that if the Governments of Kenya and Uganda should decide to impose an excise duty on salt produced within the territories, the present rate of import duty would be proportionately increased. The Governor of Kenya points out that the market for salt must necessarily extend to Tanganyika Territory and that in conformity with the spirit of the Customs Agreement, Kenya and Tanganyika may reasonably expect to be credited with revenue derived from salt consumed within their own boundaries.

5. The Government of Uganda sees no reason to surrender, in the interests of the Company, the revenue at present derived from imported salt. The best that might be expected from that Government would be that for a period of five years it would not impose an excise duty on salt but would reserve to itself the right to lower the import duty in order to lower the internal prices, if it were found that revenue was being lost owing to the production of Magadi salt and retail prices remained at the present level. In other words, the Government would not object to surrendering revenue to the consumers of salt but would see no reason to surrender it to the Company except in

return/

return for a reduction in local retail prices.

6. As regards Railway rates, the High Commissioner for Transport observes that in accordance with the policy of the Railway Administration no rates are altered without regard to all vested interests and after consultation with those concerned. He cannot therefore give an assurance that the present tariff will not be altered in such a way as to place Magadi salt in a less favourable position than its competitors. although no such action of this nature is anticipated.

7. In all the circumstances the Secretary of State is disposed to adopt a suggestion made by the Governor of Kenya that the question should be discussed at the Conference of East African Governors in May next; this would allow time for a decision to be reached before next October when the Supplemental Deed expires.

I am,

Sir,

Your obedient servant,

(signed) J. E. W. FLOOD

AFRICA HOUSE,

KINGSWAY,

LONDON, W.C.2.

1st January, 1936.

The Under Secretary of State for the Colonies,
Colonial Office,
Downing Street,
London, S.W.1.

Sir,

Magadi Soda Company Limited
(Production of Salt)

I have received your letter of 31st December 1935 on this subject and have conveyed the information contained therein to the Chairman of Magadi Soda Company Limited. I trust that when the East African Governors meet in conference in May they will be able to make some arrangement that will give the Magadi Company reasonable security for the large outlay of capital involved in equipping the Lake for extended salt production. I have already emphasised to you the importance of this adjunct to the Company's activities in assisting the preservation of this industry in the Colony.

I am,

Your obedient servant,

(signed) HUGH F. MARRIOTT

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TAXATION OF SALT INDUSTRY IN EAST AFRICA.

Memorandum by the Government of Kenya.

The Magadi Soda Company recently approached the Secretary of State for the Colonies with a view to obtaining from this Government and the Government of Uganda a guarantee that all charges as at present existing in relation to the production of salt at Lake Magadi should not be increased in the future so as to put the Company in a less favourable position in its competition with salt from other sources. Neither Government was able to give the required guarantee, which would have been tantamount to a promise that the rate of royalty at present charged by this Government would not be increased and that, if it were decided to impose an Excise Duty on salt produced in Kenya, the present rate of import duty would be proportionately increased.

Even had this Government been prepared to lose the revenue it obtained at present from the importation of salt, and in the event of the Magadi Soda Company so increasing its production as to supply the local demand, it was not considered possible to accede unilaterally to the Company's request since it was felt that the market for locally produced salt must necessarily extend to Uganda and Tanganyika and that, in conformity with the spirit of the Customs agreements, all three territories may reasonably expect to be credited with the revenue derived from salt consumed within their own boundaries.

2. Arising from consideration of the Company's request, it appears to this Government to be desirable that the financial policy to be followed by the East African Governments as regards State dues on imported or locally produced salt should now be discussed with a view to uniformity in the matter.

3. The State dues at present imposed on salt by Kenya are as follows:-

(i) Customs duty, imposed under Item 21 of the Schedule to the Customs Tariff Ordinance 1930:-

(a)	Rock or crushed rock salt imported in bulk	Free
(b)	Common, n.e.e. imported in bulk	Per 100 lbs Sh.1/-
(c)	Curing or dairy, imported in bulk	Free
(d)	Other	Ad valorem 20%

The legal position is that (c) of Tariff item 21 admits free of duty without question as to ultimate use salt imported in bulk and invoiced under the trade description of "curing" or "dairy" so long as examination at the time of entry does not establish that the salt in fact is not of the quality described. Refined salt of the quality marketed under the trade description "dairy" is capable of table use and there is reason to believe that salt of this quality is retailed and

used/

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used for this purpose in Kenya. This matter has been noted for consideration when next the Customs Tariff comes under general revision, and, in this respect, the possibility of local production meeting the requirements of the dairying and/or the bacon curing industry might be explored meantime in the light of a relatively small excise duty or royalty on local salt permitting the deletion of an import duty exemption in favour of a commodity capable of dutiable use without change of form or substance.

(ii) Royalty of Sh.1/50 per ton in respect of salt removed from Lake Magadi, under a moratorium agreement with the Magadi Soda Company, expiring on the 31st October, 1936, when the original terms of the Magadi Soda Company's concession, providing for Shs.3/- per ton royalty, will again become operative, unless the moratorium is extended.

(iii) Royalty of Sh.1/50 per ton in respect of salt produced by the Fundisha Salt Company in accordance with a modification of the terms of the concession held by the Company, this modification to remain in force until the 31st October, 1936. The substantive royalties specified in the concession are for the first period of 5 years on a sliding scale, viz:-

The 1st 2,000 tons in any year @ Shs.2/- per ton
The 2nd 2,000 tons in any year @ Shs.4/- per ton
The 3rd 2,000 tons in any year @ Shs.6/- per ton
The 4th 2,000 tons in any year @ Shs.8/- per ton
The 5th 2,000 tons in any year @ Shs.10/- per ton
All above 10,000 tons in any year @ Shs.10/- per ton

At the expiration of this period the royalty will then be reviewed in the light of the progress attained by the industry, but in any event a royalty of Shs.15/- per ton will be the maximum.

4. The revenue derived from Customs duties in the past few years has been allocated as follows:-

KENYA

	1932 £	1933 £	1934 £	Jan. - Octr. 1935 £
Table Salt	285	196	217	122
Salt, other	3,437	2,848	748	191
	£3,722	3,044	965	313

UGANDA

	1932 £	1933 £	1934 £	Jan. - Octr. 1935 £
Table Salt	19	22	22	21
Salt, other	5,349	5,606	6,132	5,436
	£5,368	5,628	6,154	5,457

It will be noted that whereas the Uganda allocation remains reasonably constant, the Kenya import duty receipts show a progressive and marked decline which can be attributed to the expansion of local production in relation to the

immediate/

immediate local market and also to an anomaly, as explained in paragraph 3 of this memorandum, in the application of Item 21 of the Customs Tariff Ordinance, 1930, which, by reason of railway rating policy and/or of the comparative smallness of the Uganda market for quality salt, has not affected transfers to Uganda of imported salt for native and other consumption. Royalties received during the same period have been as follows:

	1932	1933	1934	Jan.-Oct.1935
	£	£	£	£
From the Magadi Salt Co.	-	-	48	120
" " Fundisha " "	65	124	173	119

5. An increase in the local production of salt by the Magadi Soda Company and other commercial concerns in sufficient quantities to meet the needs of the dependencies without recourse to imports would appear to be inevitable the rate of development in this direction being governed to some considerable extent by the margin of benefit accruing to local producers from the difference between the rate of Customs duty chargeable on imports and the rates of royalties or excise duties imposed on the local product. From the details given in paragraph 4 of this memorandum it is clear that in Kenya the process of supersession of the imported article is virtually complete and that in spite of the generally accepted theory that salt is a commodity upon which fiscal charges may properly be imposed, the amount of revenue accruing to the Government of Kenya from this source is now extremely small. In Uganda this stage has not been reached but there can be no reason to suppose that the economic forces which have effected displacement of the imported article in Kenya will not operate in due course to the same end in Uganda.

6. The only form of taxation on salt which is at present common to all three territories is the Customs Duty. Royalties are imposed only in Kenya and Tanganyika, while a Consumption Tax on salt imported into Tanganyika was imposed before the present Customs Agreements came into operation and has been allowed by the Secretary of State to continue pending exploration of alternative means by which the revenue to that Government will be safeguarded.

7. It is a question for consideration whether a uniform specific rate of royalty should be adopted in all three territories or whether legislation should be introduced to impose a uniform excise duty on salt produced in each of the three dependencies in lieu of a royalty charge. The Government of Kenya would prefer adoption of the latter course as being more in accord with the general taxation system and one which would allow of application of the principle underlying the Customs and Excise Agreements whereby the interests and revenues of both the producing and the consuming territories can be adequately safeguarded by joint and agreed action on the part of the three Governments.

CONFERENCE OF GOVERNORS OF BRITISH EAST AFRICAN TERRITORIES,

JUNE, 1936.

PRODUCTION OF SALT IN EAST AFRICA.

Memorandum by Magadi Soda Company Limited.

(Connected paper: No.GC(36)..)

1. INTRODUCTION

As we understand that the Customs Duty on salt and matters related thereto are to be considered by the Conference of East African Governors to be held in May next, this Memorandum is intended to present certain relevant matters for consideration by the Conference, and to indicate the main grounds on which our request for stability in the matter of duties and other dues is based.

2. THE ECONOMIC BACKGROUND OF THE INDUSTRY

In considering the economic possibilities of salt manufacture at Magadi this Company has been guided by the belief that, as no special protective measures had been requested for the industry, it was extremely unlikely that the existing Customs Duty of Sh.1/- per 100 lbs. would be materially altered to the disadvantage of local industry, especially if the consumer received the advantage of a somewhat lower price. Some reasons for this belief follow:-

(1) The Customs Tariff adopted by Kenya, Uganda and Tanganyika in 1922 was designed to give a certain measure of protection to local industry and subsequent reviews of the Common Tariff and consequent amendments have preserved this principle.

(2) The adoption of a common Tariff and the system of free trade between the three Territories indicated a desire, on the part of the Governments concerned, that the industries of each Territory should benefit by the extended protected market thus created.

(3) Other local industries received special protection in varying degree, notably sugar, tea, cigarettes and tobacco, soap, wheat flour, butter, beer and methylated spirits. Some received, in addition, the advantage of special Country Produce mileage rates (see Appendix I).

When Excise Duties were applied to certain of these products in 1931, the Commissioner of Customs, Kenya and Uganda, in his Annual Report (page 3), referring to the imposition of Excise Duties, stated: "Adequate protection of the local products was secured by amendment of the Customs Tariff in the manner indicated above."

(4) In the Union of South Africa, where similar conditions for the overseas supply of salt exist, the

Customs/

Customs Duty was maintained at Sh.1/25 per 100 lbs. and approximately 100,000 tons per annum were manufactured in the Union for internal consumption, and only about 200 tons of common salt were imported.

(5) Salt was being produced within the Territories prior to our commencing manufacture - at Katwe and Kasenye in Uganda (2,000 tons per annum), Mandisha in Kenya (1,200 tons per annum) and in various places in Tanganyika (6,000 to 7,000 tons per annum). These industries enjoyed the protection afforded by the common Customs Tariff and, in addition, common salt produced in Tanganyika Territory was further substantially protected by a consumption tax of Shs.56/- per ton levied on all salt not produced in that Territory.

3. THE MAXIMUM RAILAGE RATE

Common salt is carried on the Kenya and Uganda Railway and the Tanganyika Railways at Class 6 rate, but on the Kenya and Uganda Railway only it is subject to a maximum rate of Shs.3/35 per 100 lbs; thus salt carried from Mombasa to Rongai (472 miles) for Shs.75/04 per ton is carried to Kampala (841 miles) and Masindi Port (907 miles) for the same charge. This maximum rate largely denies to inland manufacturers of salt the advantage to which the shorter haul naturally entitles them. Salt manufactured on the Coast in Tanganyika Territory was brought by dhow to Mombasa, carried at the maximum rate by the Kenya and Uganda Railway to Tanganyika ports on Victoria Nyanza, and sold in competition with salt manufactured inland in Tanganyika. This brought strong protests from Tanganyika. The maximum rate has, in fact, been widely and adversely criticised, and after careful consideration by the Railway Advisory Council, it has been decided to abolish it. It has already been removed from salt carried to Tanganyika ports on Lake Victoria, and we have been informed that it will be removed generally "when a suitable opportunity arises." For the purpose of this Memorandum, therefore, it is presumed that the maximum rate will be removed.

Although the effect of the removal of the maximum rate will be to increase somewhat the price of salt to the distributor, it is unlikely, for reasons indicated later in this Memorandum, to result in any material change in the price of salt to the ultimate consumer. On the other hand it is worth noting that the additional revenue accruing to the Kenya and Uganda Railway in respect of railage on salt for Uganda would be similar to the amount of Customs revenue which would be lost if imported salt were replaced by salt from Magadi (e.g. the additional railage on salt from Magadi to Kampala would be Shs.21/28 per ton).

4. SALT MANUFACTURE AT MAGADI.

In his Annual Report for 1925 the Commissioner of Customs, Kenya and Uganda, stated "the possibilities of salt production locally are being investigated and it is hoped that this will result in the establishment of an industry for which there appears to be ample scope."

For some years this Company has been investigating the possibility of economically extracting pure salt from the Lake Magadi deposit. The problem presented considerable technical

difficulties/

difficulties, but in 1932 a process was evolved which had possibilities of success, and a plant was erected in 1932 with a capacity of 1,000 to 1,500 tons per annum.

Difficulties, such as frequently accompany the initial large scale operation of a new technical process, have been met with and largely overcome - though at a considerable cost. The technical purification process at Magadi must necessarily result in higher working costs than the simple solar evaporation of sea water, but Magadi has, or should have, the material advantage of being nearer to its markets. It should also be stated that except for small amount these working costs represent money spent in the Territory, in native labour wages and salaries, and on wood fuel (on much of which Government receives a royalty).

The experience of two years' working of the Magadi Salt Plant indicates that, although salt manufacture has not so far been profitable, with an increased output and the continuance of the existing Customs Tariff, salt could be delivered in Nairobi and Kampala, with the maximum rate removed, at a price in the neighbourhood of Shs.10/- per ton cheaper than imported salt, and a small return on the capital invested could be expected.

5. PRICES AND EFFECT OF REMOVAL OF CUSTOMS DUTY.

The current prices of imported common salt f.o.r.Mombasa are:-

Coarse salt for Kenya	Shs.55/- per ton
Crushed salt for Uganda	Shs.60/- per ton

These prices are Shs.20/- to Shs.25/- per ton lower than the prices ruling up to 1932, and it is reasonable to suppose that the competition of locally produced salt operates to lower imported salt prices.

Railage on common salt Mombasa to Nairobi is Shs.54/88 per ton; the landed price Nairobi is therefore about Shs.110/- per ton, the landed price of local salt being about Shs.100/- per ton.

The per lb. retail price is -/08 cts. to -/09 cts. (and sometimes -/10 cts.), or at a rate of Shs.180/- to Shs.202/- (or Shs.224/-) per ton, irrespective of source. At these prices distribution costs and profits, apart from railage, are equal to or greater than the duty paid f.o.r. Mombasa price of imported salt, or the ex-works price of Magadi salt.

But at least 90% of salt of this grade is consumed by natives, who usually purchase in quantities of much less than 1 lb. The most common measure is a table-spoon, about 2 ozs. which is sold for -/02 cts. (Shs.358/40 per ton). This price appears to be constant over a wide area, despite rail freight differences and changes in the wholesale price.

It is difficult to believe, therefore, that the majority of the actual consumers would receive any price benefit, even from the total removal of the import duty.

If the most favourable estimate is made of the consumption of salt per head of native population of Kenya and Uganda, it cannot be put higher than 3 to 4 lbs. per year. (See Appendix II). Thus if a price drop of Shs.22/40 per ton, the

amount/

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amount of the existing Customs Tariff, could be secured for them by its total removal (which, for the reasons given above is considered impossible) it would result in a maximum saving per head per annum of less than -/04 cts.

Part of this small saving (if it could be passed on to them), would in any case result from the lower delivered prices of local salt.

It thus seems that while the removal of existing Customs protection might extinguish the local salt industry (thus removing an important factor in preventing imported salt price levels rising by as much as, or more than, the duty itself) the great majority of consumers would receive no benefit.

6. **INDUSTRIAL SALT**

The chief industrial uses of salt are for stock feeding, dairying and curing. We have been able to pass on to these industries the benefit of lower prices for the special grades of salt they require.

	Imported f.o.r. Nairobi Shs.per ton	Magadi f.o.r.Nairobi Shs.per ton
Curing Salt (As required by Uplands Bacon Factory)........	175/-	134/-
Dairy Salt, Liverpool D.V. (99.7% NaCl, Magnesia free)	200/- - 220/-	170/- - 180/-
Rock Salt (Synthetic Cattle Lick)....	112/- - 125/-	70/- - 76/-

Rock salt is carried at Class 10 on the Railway in 10 ton lots and for cattle salt the final purification is not necessary, thus reducing working costs.

Each of these grades is imported duty free. Some lower grades of "dairy salt," imported duty free as such, are used for domestic purposes.

7. **EXCISE DUTIES**

No excise duties are at present levied on salt produced in the East African Territories, but this Company pays a royalty of Sh.1/50 per ton on all salt manufactured and sold. The imposition of an Excise Duty without a corresponding increase in the Customs Duty would, of course, have the same effect on the local industry as a reduction in the Customs Duty by a like amount.

On the other hand, the imposition of an Excise Duty with a corresponding increase in the Customs Tariff might be a possible method of avoiding a part or all of the loss of revenue caused by a fall in imports.

For the reasons indicated in Paragraph 5 above the imposition of a reasonable Excise Duty accompanied by a similar increase in Customs Duty would be unlikely to result in any alteration in the price of salt to the great majority of consumers.

8. COUNTRY/

8. COUNTRY PRODUCE RATES

As stated previously, no special protection over the existing Customs Duty has been requested for the industry and no request has hitherto been made for a "Country Produce" railage rate such as is enjoyed by some local industries. It may be noted, however, that a "Country Produce" rate difference of only one Class, that is to Class 9, with the maximum rate removed, would enable us to sell in Uganda at a wholesale price more than the full amount of the Customs Duty below the price of imported salt. The railage per ton on salt at Class 9 rate Magadi - Kampala is Shs.75/04, exactly the same as the railage maximum rate hitherto in force. We are aware of the objections which have been raised from time to time against the principle of "Country Produce" rates, but it is possible it may be considered desirable to apply a "Country Produce" rate for salt carried to Uganda only.

If such a "Country Produce" rate were applied distributors of salt in Uganda would benefit by a price difference between local and imported salt greater than the amount of Customs Duty per ton.

9. CONCLUSION

It will be seen from the foregoing that the points which it is desired to establish are:-

(a) That there should be no reduction in duty.

(b) That if it is decided to impose an excise on salt, a corresponding increase in duty should follow.

(c) That any advantages deriving from the acceptance of principles (a) and (b) should not be nullified by failure to put into effect the decision to remove the maximum rate of which we have already been advised, or by any alteration in railage rates which would in effect favour imported salt at the expense of the local product.

In the case of part of Kenya, the maintenance of the "status quo" either absolutely or relatively retains conditions which will enable local salt to be sold in the market competitively and with an economic return on capital. In the case of the rest of Kenya and Uganda, the same conditions will apply when the maximum rate is removed.

It is outside the scope of this Memorandum to refer to the relation of salt manufacture at Magadi to the whole problem of the economic exploitation of the Lake Magadi deposits. It is hoped, however, that our main grounds for expecting a continuance of the protection the salt industry has previously received have been made clear, and that they will receive the careful and sympathetic consideration of the Conference.

(signed) W. F. GODDEN

Acting General Manager.

(signed) W. H. BILLINGTON

Sales Manager.

April 20th, 1936.

APPENDIX I.

SOME LOCAL PRODUCTS PROTECTED BY CUSTOMS DUTIES AND SPECIAL "COUNTRY PRODUCE" RAILAGE RATES IN KENYA AND UGANDA.

IMPORTED PRODUCT	Unit	Shs.	LOCAL PRODUCT	Unit	Shs.
SUGAR					
Customs Duty: Jaggery) Sugar)	Per cwt.	6/72	Excise Duty: Sugar) Jaggery)	Per cwt.	1/- Nil
Plus Suspended Duty in Kenya		6/72			
Railage: Class 4 300 miles	Per cwt.	7/06	Railage: In 1 ton lots Class 7 C.P. 300 miles	Per cwt.	3/03
			In less than 1 ton lots Class 6 C.P. 300 miles	Per cwt.	4/20
TEA					
Customs Duty	Per cwt.	56/-	Excise duty	Per cwt.	11/20
Railage: Class 2 300 miles	Per cwt.	13/95	Railage: Class 4 C.P. 300 miles.	Per cwt.	7/06
In Transit to Uganda Class 3 300 miles	Per cwt.	9/58			
CIGARETTES					
Customs Duty: (or 62½% ad valorem)	Per cwt.	208/80	Excise Duty:	Per cwt.	140/-
Railage: Class 1: 300 miles	Per cwt.	19/10	Railage: Class 2, C.P.300 miles	Per cwt.	13/95

IMPORTED PRODUCT	Unit	Shs.	LOCAL PRODUCT	Unit	Shs.
SOAP. Common					
Customs Duty (or 20% ad valorem)	Per cwt.	5/60	Excise Duty		Nil
Railage: Class 4, 300 miles	Per cwt.	7/06	Railage: Class 5, C.P. 300 miles	Per cwt.	4/20
WHEAT FLOUR					
Customs Duty	Per cwt.	3/36	Excise Duty:		Nil
Plus Suspended Duty Kenya	Per cwt.	3/36			
Plus Suspended Duty Uganda	Per cwt.	1/68			
Railage: Class 6, 300 miles	Per cwt.	4/20	Railage: Class 7, C.P. 300 miles	Per cwt.	3/03
			In 1 ton lots Class 8, C.P. 300 miles	Per cwt.	2/52

TOBACCO/

IMPORTED PRODUCT	Unit	Shs.	LOCAL PRODUCT	Unit	Shs.
TOBACCO					
Customs Duty: Manufactured (or 62½% ad valorem)	Per cwt.	268/80	Excise Duty: Manufactured	Per cwt.	140/-
Unmanufactured	Per cwt.	112/-	Unmanufactured		Nil
Railage: Manufactured Class 1: 300 miles	Per cwt.	19/10	Railage: Manufactured Class 2, C.P. 300 miles	Per cwt.	13/95
Unmanufactured Class 3: 300 miles	Per cwt.	[illegible]	Unmanufactured Class 7, C.P. 300 miles	Per cwt.	3/06
Unmanufactured in transit Mombasa - Uganda: Class 7					
ALE, BEER AND STOUT					
Customs Duty:	Per Imp.Gall. 3/- or per cwt.approx.	32/60	Excise Duty:	Per gall. of wort of S.G. 1055	1/11
Railage: Class 4, 300 miles	Per cwt.	7/06	Railage: Class 5, C.P. 300 miles	Per cwt.	5/65
In transit Mombasa - Uganda Class 5	Per cwt.	5/65			
METHYLATED SPIRITS					
Customs Duty	Per Gall. 2/- Approx. per cwt.	25/-	Excise Duty		Nil
Railage: Class 3, 300 miles	Per cwt.	9/58	Railage: Class 5, C.P. 300 miles	Per cwt.	5/65
BUTTER					
Customs Duty: 20% ad valorem			Excise Duty: (A levy of 25 cts.per lb.is raised on butter sold locally and the amount accruing therefrom is returned to the industry as a bonus on butter exported)		Nil

Railage/

IMPORTED PRODUCT	Unit	Shs.	LOCAL PRODUCT	Unit	Shs.
		BUTTER (continued)			
Railage: Class 1, 300 miles	Per cwt.	19/10	Railage: Class 7, C.P. 300 miles	Per cwt.	3/03
		GHEE			
Customs Duty	Per cwt.	32/60	Excise Duty		Nil
Plus Suspended Duty Kenya:	Per cwt.	16/80			
Railage: Class 1, 300 miles	Per cwt	19/10	Railage. Class 8, C.P. 300 miles	Per cwt.	2/52
		SALT Common			
Customs Duty:	Per cwt.	1/12	Excise Duty:		Nil
			Royalty	Per cwt.	-/07½ ct.
Railage, Class 8, subject to maximum of 3/35 per 100 lbs. 300 miles	Per cwt	2/52	Railage Class 8, subject to maximum of 3/35 per 100 lbs. 300 miles	Per cwt.	2/52

The railages given above are based on nett weights. Rail freight on containers further increases the railage advantage of local products notably in the case of bottles and cases for beer, and tins and cases for imported tea.

All local products except salt enjoy to the full the advantage of proximity to the markets.

APPENDIX II

ESTIMATED CONSUMPTION OF SALT PER HEAD OF NATIVE POPULATION OF KENYA AND UGANDA.

UGANDA

Total native population 1928	3,241,543
Less Western Province	588,123
Buganda, Eastern & Northern Province	2,653,420
Average annual importations of salt over years 1926 - 1933	4,978 tons

= 4.2 lbs consumed per head per annum.

Very/

Very little imported salt is consumed in the Western Province, as this Province is supplied by salt produced at Katwe and Kasenye in the Toro District. The population of this Province has therefore been excluded in the above estimate.

The consumption of salt by non-natives has also been excluded.

The actual annual consumption per head of native population must therefore be less than 4.2 lbs per head given above.

KENYA

Total native population 1930	2,930,604
Less Northern Frontier Province	84,755
	2,845,849
Average annual importations plus local salt consumption over 8 years 1926 - 1933	4,441 tons

= 3.5 lbs consumed per head per annum.

The population of the Northern Frontier Province has been excluded as consuming little imported or locally manufactured salt.

The consumption of salt by non-natives has been excluded, so the figure must be below 3.5 lbs per head per annum.

GC(36)18.

CONFERENCE OF GOVERNORS OF BRITISH EAST AFRICAN TERRITORIES,

JUNE, 1936.

PRODUCTION OF SALT IN EAST AFRICA.

Comments by the General Manager, Kenya and Uganda Railways and Harbours, on the Memorandum by the Magadi Soda Company Limited (No.GC(36)14).

(Connected papers: Nos.GC(36)5 and 14)

As explained in the Company's memorandum, the Railway Administration has indicated to the Company that the existing maximum rate would be withdrawn as soon as the Company were in a position to sell salt in any quantity on the local market. The Company are also aware that it is possible that the rate may be reduced from Class 8 to Class 9, as the Railway Administration is not desirous of increasing its revenue from the transport of this commodity.

2. I am strongly against the suggestion that Country Produce rates should be used to provide protection to the industry, instead of Customs duties or Excise duties. In my view, it is quite wrong to manipulate Railway rates for such purposes.

3. There is, however, one point not touched upon by the Company. The rate on soda and soda products from Magadi to the Coast is a special one of Shs.18/50 per ton. It has recently been ruled that salt manufactured at Magadi will be a soda product and therefore subject to the concession rate. This will give the Company an unfair advantage in the coastal markets, both in Kenya and in Tanganyika. It is, therefore, considered that when the renewal of the present moratorium comes up for consideration later in the year, salt should definitely be removed from the concession list and charged the normal tariff rate between Magadi and the Coast.

Nairobi.
5. 5.36

CONFERENCE OF GOVERNORS OF BRITISH EAST AFRICAN TERRITORIES.

JUNE, 1936.

PRODUCTION OF SALT IN EAST AFRICA.

To advise, not only on the immediate issue of the attitude to be adopted in regard to the Magadi Soda Company's request but also on the broader aspect of the taxation of salt in East Africa.

Memorandum by the Treasurers of Kenya, Uganda and Tanganyika and the General Manager, Kenya and Uganda Railways and Harbours.

(Connected papers: Nos.GC(36 ,14 & 18)

A. The Magadi Soda Company's requests, as summarized in paragraph 9 of the Memorandum by the Company (GC(36)14), together with our recommendations as to the attitude to be adopted, are as follows :-

(a) "That there should be no reduction in duty".

While it is obviously impossible to give a categorical assurance that the customs duty on salt will never be reduced, we consider that the Company could properly be informed that there is at the present time no intention whatever of reducing the basic customs duty on salt imported into Kenya, Uganda and Tanganyika from outside the Customs Agreement area

(b) "That if it is decided to impose an Excise on salt, a corresponding increase in duty should follow."

In our opinion, no assurance in this respect can properly be given. The Government must remain free to deal with the taxation of salt from time to time in accordance with the circumstances of the case. But if, at any time in the near future, a decision is reached to abolish the royalty and apply an excise duty of more than two shillings a ton on all salt produced in East Africa for consumption in the Customs Agreement area, an undertaking may, in our opinion, be given that the question of introducing a suspended duty in addition to the basic duty will be considered in the light of the position of the

salt.....

salt industry in East Africa. While the Governments cannot commit themselves to maintaining the degree of protection at present imposed by the Customs tariff, we should regard it as reasonable for that degree of protection to be preserved in the manner indicated at least until the Magadi salt industry is established to meet the needs of the Kenya and Uganda market. We have referred to "an excise duty of more than two shillings a ton" because the industry at Magadi already pays a royalty of Shs.1/50 per ton on all salt produced.

(c) "That any advantages deriving from the acceptance of principles (a) and (b) should not be nullified by failure to put into effect the decision to remove the maximum rate .... or by any alteration in railage rates which would in effect favour imported salt at the expense of the local product"

No undertaking can be given that the present railway tariff will not be altered in such a way as to place Magadi salt in a less favourable position than its competitors, but no rates are altered by the Kenya and Uganda Railway Administration without regard to all vested interests and after consultation with those concerned. That Administration has already indicated to the Company that the existing maximum rate will be withdrawn as soon as the Company is in a position to sell salt in any quantity on the local market.

We consider that when the renewal of the present moratorium comes up for consideration later in the year, salt should be removed from the concession list - Shs.18/50 per ton from Magadi to the Coast - and should be charged the normal tariff rate between Magadi and the Coast. In this particular respect we consider that the existing charges should be increased.

B. We have carefully examined the broader aspect of the taxation of salt in East Africa but we find that the possibility of introducing such modifications of the existing laws as might be considered suitable for application over the Customs Agreement area is negatived by the special steps taken in the past by the Tanganyika Government to protect the interests of local producers on the Coast and to develop the salt mines at Uvinza. For instance, the Exclusive Licence granted to the Nyansa Salt Mines (Tanganyika) Ltd., for 21 years from 1st November, 1926, specifically provides that the Government will not, during the term of the licence, impose any export excise or other tax on salt produced from the mine; nor require payment of any royalty which may be imposed by mining legislation upon salt except by express agreement between the Government and the Company. The Licence provides for the payment by the Company of fixed annual sums amounting to £2,500 a year. In view of these provisions it is evident that any suggestion which we might have been prepared to make for the introduction of a system of Excise duties on salt, in accordance with the Excise Agreement, cannot be acted on unless and until negotiations making it possible to apply an Excise duty to salt produced at Uvinza have been brought to a conclusion between the Government and the Company. All that we recommend at present is that the Tanganyika Government be requested to enter into negotiations with the

Company....

Company with this end in view and that the matter be further considered when those negotiations are complete. Until this has been done, it seems to us that the present system of Royalties on a territorial basis must continue.

The position regarding the salt industry in Kenya and Uganda is relatively simple and any difficulties which might present themselves in consequence of the production in bulk of salt by the Magadi Company could readily be overcome by the imposition of Excise duties in supersession of Royalties, coupled possibly with some variation of the Customs tariff. The territory of consumption would then be given a just proportion of any revenues accruing from the taxation of locally produced salt, and overproduction, with all its attendant complications, could be largely controlled through the medium of the excise laws.

On the other hand, the salt industry in Tanganyika has been built up under the shelter of a heavy tax on all salt imported into the Territory in addition to the substantial Customs duty and private enterprise has relied upon this protection. The market is purely local except for the export of salt from Uvinza to the Congo. So far as is known no Tanganyika salt has entered either Kenya or Uganda for many years. It cannot be doubted that the Tanganyika Salt Tax is contrary to the spirit of the Customs Agreements but it existed before those Agreements were signed and has been allowed to continue in force. As a consequence, not only was the Licence to the Nyanza Salt Mines completed when the Salt Tax was an essential part of the protection afforded to the industry at Uvinza, but steps to rationalise the Coastal salt industry have been taken comparatively recently which presupposes the continuance of this tax at least until the end of the five year period covered by Government Notice No.129 of the 19th August, 1933, which restricts prospecting for salt in the Eastern Province. In view of these complications, we recommend that the Government of Tanganyika be requested to examine the position in all its aspects with a view to taking steps as soon as may be possible to bring the measures taken to safeguard the Tanganyika Salt industry within the scope of the Customs Agreements.

DAR ES SALAAM,
4th June 1936.

Sd/- G.WALSH,
Treasurer, Kenya.

Sd/- A.E.FORREST,
Treasurer, Uganda.

Sd/- G.R.SANDFORD,
Treasurer, Tanganyika.

Sd/- G.D.RHODES,
General Manager,
Kenya & Uganda Rlys
and Harbours.

Hugh ... Marriott ...

TELEPHONE 1315 SPEEDWELL.
TELEGRAMS OTMARI, LONDON.

"SPANIARDS FIELD."
WILDWOOD RISE,
N.W.11.
(Hampstead, North End)

15th May 1936.

The Under-Secretary of State, Colonies,
Colonial Office,
Downing Street,
London, S. W. 1.

RECEIVED
16 MAY 1936
C.O.

Sir,

Magadi Soda Company Ltd.

I have the honour to enclose for your information three copies of the Report of the Directors and the Balance Sheet for the year ended 31st December 1935 and three copies of the Proceedings at the Eleventh Ordinary General Meeting of the Company held in London on 28th April 1936. I also enclose three copies of a Memorandum on the Constitution and History of the Company which was circulated to shareholders together with the Directors' Report and Balance Sheet. These documents give full information of the position of the Company to date and the Memorandum is worthy of perusal as it sets forth clearly the amount of money and effort that has been expended in the endeavour to keep the Company in being as a "going concern" since it came under the control of Brunner Mond & Co. and Imperial Chemical Industries.

Encs (3)
Copy w/1 set encl. to Kenya (7)

Shipments of Soda during 1936 at 38,778 tons have risen considerably compared with the figure for 19[illegible] which was 3[illegible],949 tons, the increase bei[illegible] chiefly due to increased sales to Japan which country took approximately 23,000 tons during the past year as against about 16,[illegible] tons [illegible] the previous year.

No 7 ... 1935 [illegible]

The outlook for sales to Japan [illegible] [illegible] indefinite positi[illegible] already commented [illegible] in my report [illegible] dated 23rd May 1935. The other remarks included in that report all "hold good" at the present time.

Further investigations of the possibility of economic salt production at the Lake show the outlook to be favourable provided the safeguards asked for by the Company and now being considered by the Governors' Conference in East Africa are granted in sufficient measure to give the Company reasonable security for the capital tobe expended on increased production.

Negotiations are proceeding with the Railway Authorities in Kenya for the acquisition by them of the Company's Port Works at [illegible]indini on lines that appear to be of mutual benefit.

I am,

Your obedient servant,

[illegible]

THE MAGADI SODA COMPANY, LIMITED.

Directors

J. G. NICHOLSON (Chairman)

P. F. FLETCHER.

A. E. GAWLER.

W. F. LUTYENS

H. F. MARRIOTT

C. G. SAUNDERS

Secretary

J. D. EARLAM

REPORT OF THE DIRECTORS.

The Directors present herewith the Balance Sheet as at 31st December, 1935, together with the Auditors' Report thereon, and the Profit and Loss Account for the year ended 31st December, 1935.

The Profit and Loss Account shows a debit balance for the year of £20,363 19s. 11*d.* after charging Obsolescence and Debenture Interest, and the Directors therefore regret that no dividends can be paid for the year under review.

Provision has been made during the year for obsolescence on buildings and plant amounting to £16,229 4s. 2*d.*, and the total Reserve on this account as at 31st December, 1935, after deduction of items written off, was £104,605 5s. 2*d.*

Debenture Interest amounting to £17,028 for the year has been paid, being at the rate of 4 per cent. in accordance with the moratorium scheme approved by the Debenture holders on 8th July, 1932. A note has been inserted on the face of the Balance Sheet drawing attention to the accrued liability for Debenture Interest and Redemption payments remitted under this scheme.

The Company's obligations to the Kenya Government and the Kenya and Uganda Railways have been met.

Additions to Fixed Assets totalled £5,703 13s. 1*d.*, and a sum of £989 19s. 11*d.* has been written off in respect of certain small buildings and plant demolished during the year.

The liquid assets of the Company as at 31st December, 1935, stood at £74,417 10s. 1*d.*, of which £65,082 15s. 11*d.* was represented by investments in securities of or guaranteed by the British Government, and in Home Corporation Stocks or Mortgages. The market value of these securities exceeded the book value as at 31st December, 1935.

The Directors [illegible] that Mr. D. Marsh resigned from the Board on 20th February, 1936. It is not proposed to fill the vacancy so caused for the time being.

Under the Articles of Association, Mr. A. F. Cawder retires from the Board, and, being eligible, offers himself for re-election.

The Auditors, Messrs. Price, Waterhouse & Co., retire, and, being eligible, offer themselves for re-election.

By order of the Board.

J. D. EARLAM,

Secretary.

Imperial [illegible] House,
Millbank,
Westminster, [illegible]

20th April, 1936.

THE MAGADI SODA COMPANY, LIMITED.

PROFIT AND LOSS ACCOUNT for the year ended 31st December, 1935.

	£	s.	d.
To Head Office Salaries and Audit	1,055	0	0
„ Rent and Office Charges	1,000	0	0
„ General Expenses ...	691	18	6
„ Directors' Fees	2,100	0	0
„ Royalties	3,297	7	[illegible]
„ Investment Depreciation	199	3	2
„ Trustees' Fees	105	0	0
„ Debenture Interest...	17,028	0	0
	£25,476	9	[illegible]

	£	s.	d.
By Trading Profit for year	1,779	13	2
„ Miscellaneous Receipts, including Rents...	1,092	5	1
„ Investment Revenue	2,073	15	9
„ Interest	131	5	2
„ Transfer Fees	35	10	0
„ Balance, being loss carried to Balance Sheet	20,363	19	11
	£25,476	9	[illegible]

BALANCE SHEET as at 31st December, 1935.

LIABILITIES.

	£	s.	d.	£	s.	d.
Authorised Capital.—						
250,000 6% First Cumulative Preference Shares of £1 each	250,000	0	0			
1,320,000 6% Second Cumulative Preference Shares of 5s. each	330,000	0	0			
600,000 12½% Preferred Ordinary Shares of 5s. each...	150,000	0	0			
100,000 Ordinary Shares of £1 each ...	100,000	0	0			
	£830,000	0	0			
Issued Capital—						
219,094 6% First Cumulative Preference Shares of £1 each, fully paid	219,094	0	0			
1,312,190 6% Second Cumulative Preference Shares of 5s. each, fully paid	328,047	10	0			
228 12½% Preferred Ordinary Shares of 5s. each, fully paid	57	0	0			
599,315 12½% Preferred Ordinary Shares of 5s. each, 3s. called	89,897	5	0			
100,000 Ordinary Shares of £1 each, fully paid ...	100,000	0	0			
	737,095	15	0			
Deduct Calls in arrear in respect of 12½% Preferred Ordinary Shares ...	912	6	10			
				736,183	8	2
6% Mortgage Debentures Redeemable 1st January, 1946, at 105% (Secured on all assets) as at 1st January, 1935 ...				425,700	0	0
Sundry Creditors and Provision for Taxation and Contingencies ...				12,792	13	1
Unpresented Debenture Interest and Dividend Warrants				6,173	6	9
Obsolescence Reserve as at 1st January, 1935 ...	89,366	0	11			
Add amount provided during 1935	16,229	4	2			
	105,595	5	1			
Less amounts written off during 193.	989	19	11			
				104,605	5	2
				£1,285,454	13	5

Note 1. The dividends on the 6% First Cumulative Preference Shares and the 6% Second Cumulative Preference Shares have been paid up to 31st December, 1929.

Note 2. Under a scheme sanctioned by the debenture holders there is outstanding debenture interest at 2% per annum from 1st January, 1932, and a sum on account of debenture redemption for the four years to 31st December, 1935. These amounts are payable in priority to dividends to the extent that there are profits available.

ASSETS.

	£	s.	d.	£	s.	d.
Buildings, Plant, Machinery, Railway, etc., in East Africa and elsewhere—						
As at 1st January, 1935, at cost, *less* amounts written off	980,839	5	7			
Additions at cost ...	5,703	13	1			
	986,542	18	8			
Less Amounts written off during the year	989	19	11			
£979,552 [illegible] is represented by assets [illegible] held [illegible]				985,[illegible]	[illegible]	9
Furniture, Rolling Stock, etc. At cost, *less* amounts written off				10,[illegible]	[illegible]	[illegible]
Trade Marks, at cost				132	16	6
Stocks of Manufactured Products, Stores and Constructional Materials, as valued by the Company's Officials				65,81[illegible]	[illegible]	[illegible]
Sundry Debtors, including Bills receivable, *less* Reserve				24,937	[illegible]	[illegible]
Investments in Government and Other Securities, [illegible]				65,[illegible]	[illegible]	[illegible]
Cash— At Bankers and in hand in England and East Africa				9,334	[illegible]	[illegible]
Preliminary Expenses At cost, *less* amounts written off				[illegible]		
Stamp Duties on East African [illegible]				12,283	[illegible]	0
Profit and Loss Account—						
Debit balance as at 31st December, [illegible] brought forward	[illegible]	[illegible]	[illegible]			
Add Loss from Account	20,363	19	11			
				106,[illegible]71	8	[illegible]
				£1,285,454	13	5

[illegible] NICHOLSON,
PEVERIL F. FLETCHER, } *Directors.*

AUDITORS' REPORT.

To the Members of The Magadi Soda Company, Limited.

We report that we have examined the above Balance Sheet with the books of the Company in England and with the audited Returns received from East Africa and that we have obtained all the information and explanations we have required. In our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 31st December, 1935, according to the best of our information and the explanations given to us and as shown by the books of the Company in England and the audited Returns from East Africa.

3, Frederick's Place,
Old Jewry, London, E.C.2. [illegible]

65

THE MAGADI SODA COMPANY, LIMITED.

Imperial Chemical House,
Millbank, London, S.W.1

REPORT OF THE DIRECTORS

AND

Balance Sheet

AND

Accounts

For the year ended 31st December, 1935.

THE MAGADI SODA COMPANY LIMITED

PROCEEDINGS

AT THE

ELEVENTH ORDINARY GENERAL MEETING

of the Company held at

CAXTON HALL, WESTMINSTER, S.W.1.

On Tuesday, 28th April, 1936.

J. G. NICHOLSON, ESQ.,
Chairman.

THE MAGADI SODA COMPANY LIMITED

The Eleventh Ordinary General Meeting of The Magadi Soda Company Limited was held on Tuesday, April 28th 1936 at the Caxton Hall, Westminster, London, S.W.1, the Chairman, Mr. J. G. NICHOLSON presiding.

The Secretary having read the notice convening the meeting and the Auditors' Report, THE CHAIRMAN addressed the meeting and said :—

Ladies and Gentlemen The Report and Accounts have now been in your hands for some days, and I will, with your permission, take them as read.

This year we have circulated, with the formal documents, a short memorandum on the constitution and history of the Company, which we hope has been of assistance to Shareholders in considering the printed Report and Balance Sheet.

Most of the information embodied in the memorandum has been given to Shareholders from time to time in past addresses from this Chair, and it has been designed, not only to avoid a good deal of repetition in my remarks to-day, but to allow its readers to examine at leisure the facts of the Company's position and thus ensure that discussion is based upon up-to-date information.

I will now deal with the Balance Sheet. On the *Assets* side the first item of interest is the sum of £5,703 13s. 1d. expended on Capital Account. This again is a low figure, the greater part of which represents expenditure on a plant to utilise wood-fuel instead of oil for calcining, and on additions and improvements to the Salt plant. The items written off, valued at £989 19s. 11d., represent obsolete buildings and plant of a minor character, while the relinquishment of certain Trade Marks now no longer required has resulted in a reduction of £63 odd under this heading.

The increase in Stocks is entirely accounted for by an extra stock of Soda Ash on hand at the year end, which was due for shipment to Australia early in 1936. Stores and Stocks of constructional materials show a satisfactory reduction.

Sundry Debtors have dropped by about £21,500 compared with last year, largely due to the reduced value of shipments towards the year end. Investments and Cash show a reduction of about £5,000, which corresponds to the Capital expenditure during the year to which I have already referred.

Of the items on the *Liabilities* side, the points of interest to which your attention is drawn are (*a*) the recovery of a further £150 of share calls, (*b*) a reduction in Sundry Creditors of £10,147, and (*c*) the provision for Obsolescence Reserve. Criticism was forthcoming from Shareholders last year in respect of the last item, the view being then expressed that an Obsolescence Reserve was unnecessary in the Company's present circumstances. From this view your Directors dissent, for several reasons. A study of the Balance Sheet will show you that the fixed assets are included at cost and that it is not our practice to write them down year by year. It will be obvious that Plant, Machinery, etc., cannot remain efficient indefinitely, and that the time must inevitably come when a particular asset becomes out of date and reaches the end of its useful life and must be replaced. To meet eventualities of this kind an Obsolescence Reserve is essential, and its omission would result in an incorrect picture being presented of the changes in the Company's assets position from year to year, thus making it impossible for any Auditor to give a clean certificate to the Balance Sheet. In addition, the absence of such a provision would unjustifiably enhance the apparent profits which might then have to be distributed to the Debenture-holders: this would not benefit the Shareholders in any way and would simply result in reducing the value of the security to the Debenture-holders by a corresponding amount. The figures upon which an Obsolescence Reserve is calculated are not arbitrary, but are based on an estimate of the useful life of each unit.

The Profit and Loss Account shows a loss of £20,363, as compared with £13,068. Practically the whole of this additional loss is attributable to decreased realisations, notwithstanding increased deliveries and a still lower cost of production. The figures given in the circular will no doubt have made this abundantly clear.

The items in the Profit and Loss Account under the heading of Head Office Expenses, Rent and Office Charges and Directors' Fees, were fully commented on at last year's meeting. I would like to remind you, however, that they cover the cost of all the services which your Company receives in this country, namely, the whole time staff engaged in your Company's work, office accommodation and services, your Directors' services, and the assistance and

advice of the I.C.I. technical and other departments, drawing offices, laboratory, and share and registration department. The sum total amounts to £4,000, representing about 2.9 per cent. of your Company's turnover, which cannot by any stretch of the imagination be considered excessive.

Soda Ash production showed an increase from 20,160 tons in 1934 to 43,122 tons in 1935, the corresponding deliveries being [illegible],949 tons and [illegible]8,778 tons respectively. Our costs, thanks partly to the success of our wood-fuel installation, have also shown a satisfactory reduction; indeed, this part of the plant has already paid for itself.

The extension of our Salt unit has not yet been feasible, although the capacity of the existing plant has been increased. The findings of the expert who visited the Lake a little over a year ago have been fully analysed, and they show that a case exists for extension, although it will be advisable to proceed by stages. The economics of the scheme are, however, dependent upon the stability of certain outside factors such as Customs Tariffs, Railage Rates and other dues, and these questions are now under discussion in the Colony with the East African Governments concerned.

Sales of Salt rose from 812 tons in 1934 to 1,716 tons, and although owing to the relatively high cost of small-scale production, these sales resulted in no profit, the realisations were sufficiently good to allow us to expect a reasonable return on a higher scale output.

Of minor Alkali products some 680 tons were sold during the year at a satisfactory profit.

I cannot leave the question of sales without commenting on the position with regard to Japanese competition, as it is to this factor that the very low returns which we are now receiving must be mainly ascribed. This competition has appeared in all our markets, and it is evident that the Japanese producers are bent on trying to establish sales of their Soda throughout the world. So long as this state of affairs exists we have either to meet the competition or to abandon our markets, and in view of the fact that the Japanese producers can hardly be finding their export business profitable, we consider that we have no option but to remain in the market so that we are there ready to take full advantage of improvement which may result from any relaxation of Japanese effort.

THE MAGADI SODA COMPANY, LIMITED.

IMPERIAL CHEMICAL HOUSE,
MILLBANK,
LONDON, S.W.1
20th April, 1936

To the Shareholders of THE MAGADI SODA CO., LTD.

The following notes on the constitution and history of the Company are circulated by the authority of the Board of Directors, for the information of the Shareholders.

The present Magadi Soda Company was incorporated in 1925 to take over the undertaking carried on by the former Company of the same name, which was at that time in liquidation. The latter was incorporated in 1911, and had operated continuously at a loss, with the result that no dividends had ever been paid on the shares and a considerable amount of the capital had been lost.

The new Company was formed under the management of Brunner, Mond & Co. Ltd. (now a subsidiary of Imperial Chemical Industries Ltd.), who were in no way connected with the old Company.

The Debenture-holders, Shareholders and Creditors of the old Company were allotted the following interests in the new Company :—

OLD COMPANY.	NEW COMPANY HOLDING AND VALUE.
First Debentures	New 6 per cent. Debentures of an equivalent amount.
Second Debentures and certain Creditors.	6 per cent. First Preference Shares to an amount equal to 75 per cent. of the liability.
Ordinary and Deferred Shareholders...	6 per cent. Second Preference Shares to an amount equal to 25 per cent. of the value of the original shares.

Two new classes of Shares were also created, namely, 12½ per cent. Preferred Ordinary (£150,000) in 5s. Shares and Ordinary (£100,000) in £1 Shares. The Second Preference Shareholders in the new Company were invited to subscribe for the Preferred Ordinary issue in the proportion which each Shareholder's holding bore to the total Second Preference issue. Actually only about 39 per cent. of the Preferred Ordinaries were taken up in this way, and Brunner, Mond & Co. Ltd. took up the remaining 61 per cent. as well as all the Ordinary Shares. The whole of the Ordinary Capital and [illegible] of the 5s. nominal value of the Preferred Ordinary shares ha[illegible] been called up, so that the new cash invested in the present Company has been [illegible] made up (in round figures) as follows:

Brunner Mond [illegible] Ltd. [illegible] subsidiary of [illegible] Ltd.	
Ordinary shares	[illegible]
Preferred Ordinary [illegible]	£ 55,5[illegible]
Total [illegible]	£155,5[illegible]
Other Shareholders	
Preferred Ordinary shares	£34,5[illegible]
	£190,000

The Company works under concessions granted by the Kenya Government and its main activity is the manufacture of soda ash (sodium carbonate) from the natural deposits of crude soda (trona) found at Magadi in almost unlimited quantities. The process used is a simple washing and calcining operation but has the disadvantage that it produces only a moderately pure product. Although soda ash is an industrial chemical of great importance and is consumed in large quantities, only a relatively small market exists for the Magadi product as it is impossible to produce a purified product equal in quality to that made by the ammonia soda process, the principal source of supply, except at prohibitive cost.

[illegible] was mainly for these reasons and the added disadvantage of a rail haul [illegible] miles to Mombasa, the nearest port, that the original company achieved [illegible] factory result.

When the new Company began operations under the management of Brunner, Mond & Co. Ltd. (themselves large producers of alkali) it was found possible, with the aid of the technical advice and assistance thus made available, to effect a progressive improvement in costs. By exporting Magadi Soda to its natural economic markets (in order of importance, Japan, Australia, India, River Plate, Brazil, China, and South Africa), with the active help of the Brunner Mond selling organisations, it was also possible to build up a reasonably profitable trade.

Thus from 1925 to 1928 sales increased from 40,[illegible] tons to 80,000 tons per annum at satisfactory prices, and full Dividends were paid on the 1st and 2nd Preference Shares in 1927, 1928 and 1929. A dividend was paid on the Preferred Ordinary shares in 1928, but no dividend has ever been paid on the Ordinary Capital. Debenture interest at the full rate of 6 per cent. was paid in respect of the year 1925 and from 1927 to 1931 inclusive. From 1932 onwards Debenture interest has been paid at the rate of 4 per cent. under a Supplemental Trust Deed. Debentures to a nominal value of £74,250 were redeemed by purchase between 1920 and 1931 in accordance with the provisions of the original Debenture Trust Deed.

Japan being a large industrial market, was Magadi's best customer, and in 1928 took about 60 per cent. of the Company's total output, so that when Japan began manufacturing alkali on a large scale by the Ammonia Soda process, the Magadi tonnage was immediately affected. Since then Japanese production has increased until that country is now almost self supporting and in addition exports considerable quantities. Although by accepting very low prices some share of the Japanese market has been retained by Magadi, other markets have provided little compensation, partly because of [illegible] Magadi soda, and partly because Japanese, Russian [illegible] resulted in a considerable and apparently permanent fall in world prices.

To illustrate this the following table showing comparative nett costs and realisations in representative years will be of interest, the year 1925 being taken as the basis (= 100).

	Output Tonnage	Nett Manufacturing Cost per Ton	Tonnage sold	Nett Realisation per Ton
1925	100	100	100	100
1928	156	74	163	120
1931 ...	92	91	89	100
1934 ...	63	85	63	97
1935 ...	93	61	76	69

It will be seen that realisations have since 1928 shown a progressive reduction, while costs (having regard to the fact that production in 1931, 1934 and 1935 was very much lower than that for the peak year 1928) have shown a notable improvement.

As the actual and potential demand for Soda in Magadi's home market (East Africa) is negligible, export markets must obviously be the Company's main outlet, and as productive capacity throughout the world is now almost everywhere in excess of consumption, it is possible at present to discern little prospect of improved conditions.

The raw materials available in the Lake Magadi deposit do not permit the manufacture of a wide range of products, but other types of Alkali have been developed in recent years, although the demand for these is relatively small. The only product other than natural Soda which is available in quantity is Salt, but its separation presents certain problems and the high cost of transport to the sea coast renders competition in export markets out of the question. The internal market for Salt in Kenya and Uganda may be secured, but as this does not amount to more than 8,000/10,000 tons per annum, its complete diversion to Magadi Salt, while undoubtedly of financial benefit to the Company, would not alter the dividend prospects to any material extent.

All the Company's properties in Kenya Colony, including the Magadi Branch Railway, are held on 99-years leases from the Kenya Government, and by the terms of its concessions, the Company is liable to certain minimum payments on account of Royalties and Railage. As these minimum payments are based on an output far in excess of the market for the Company's present products, supplemental agreements have been made with the Kenya Government from time to time whereby the minimum payments have temporarily been fixed at a reduced level.

The establishment of alkali factories in increasing numbers throughout the world renders the position of the Company progressively more difficult, and while every endeavour is made to maintain existing business, the efforts of your Board and its technical advisers are necessarily directed to improving costs and methods of production, to developing Salt and secondary products, and to conserving the Company's resources.

In regard to the Debenture position, the outstanding balance of the present issue amounts to £425,700, and interest thereon is payable under the original Trust Deed at the rate of 6 per cent. per annum. By virtue of a Supplemental Trust Deed entered into by agreement with the Debenture-holders in 1932, Debenture Redemption was suspended and 2 per cent. interest rebated for a period of 5 years ending 31st December, 1936, but the amount so rebated remains as a contingent liability to be discharged if and when the profits of the Company permit this to be done. As the Supplemental Deed expires at the end of this year, negotiations will shortly be reopened with the Debenture-holders.

THE MAGADI SODA COMPANY, LIMITED.

Directors:

J. G. NICHOLSON (*Chairman*)
P. F. FLETCHER.
A. E. GAWLER.
W. F. LUTYENS.
H. F. MARRIOTT.
C. G. SAUNDERS.

Secretary:

J. D. EARLAM.

REPORT OF THE DIRECTORS.

The Directors present herewith the Balance Sheet as at 31st December, 1935, together with the Auditors' Report thereon, and the Profit and Loss Account for the year ended 31st December, 1935.

The Profit and Loss Account shows a debit balance for the year of £20,363 19*s.* 11*d.* after charging Obsolescence and Debenture Interest, and the Directors therefore regret that no dividends can be paid for the year under review.

Provision has been made during the year for obsolescence on buildings and plant amounting to £16,229 4*s.* 2*d.*, and the total Reserve on this account as at 31st December, 1935, after deduction of items written off, was £104,605 5*s.* 2*d.*

Debenture Interest amounting to £17,028 for the year has been paid, being at the rate of 4 per cent. in accordance with the moratorium scheme approved by the Debenture holders on 8th July, 1932. A note has been inserted on the face of the Balance Sheet drawing attention to the accrued liability for Debenture Interest and Redemption payments remitted under this scheme.

The Company's obligations to the Kenya Government and the Kenya and Uganda Railways have been met.

Additions to Fixed Assets totalled £5,703 13*s.* 1*d.*, and a sum of £989 19*s.* 11*d.* has been written off in respect of certain small buildings and plant demolished during the year.

The liquid assets of the Company as at 31st December, 1935, stood at £74,417 10*s.* 1*d.*, of which £65,082 15*s.* 11*d.* was represented by investments in securities of or guaranteed by the British Government, and in Home Corporation Stocks or Mortgages. The market value of these securities exceeded the book value as at 31st December, 1935.

The Directors regret to report that Mr. D. Marsh resigned from the Board on 20th February, 1936. It is not proposed to fill the vacancy so caused for the time being.

Under the Articles of Association, Mr. A. E. Cawder retires from the Board, and, being eligible, offers himself for re-election.

The Auditors, Messrs. Price, Waterhouse & Co., retire, and, being eligible, offer themselves for re-election.

By order of the Board,

J. D. EARLAM,

Secretary.

Imperial Chemical House,
Millbank,
Westminster, S.W.

30th April, 1936.

THE MAGADI SODA COMPANY, LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31st December, 1935

	£ s. d.		£ s. d.
To Head Office Salaries and Audit	1,0[illegible] 0 0	By Trading Profit for year	1,779 13 7
" Rent and Office Charges	[illegible]	" Miscellaneous Receipts, including Rents	1,092 5 1
" General Expenses	[illegible] 14 4	" Investment Revenue	1,073 18 9
" Directors' Fees	[illegible] 0 0	" Interest	131 5 1
" Royalties	[illegible]	" Transfer Fees	15 10 0
" Investment Depreciation	[illegible]	" Balance being loss carried to Balance Sheet	20,383 19 11
" Trustees' Fees	10[illegible] 0 0		
" Debenture Interest	17,0[illegible] 0 0		
	[illegible],478 9 1		[illegible],478 9 1

BALANCE SHEET as at 31st December, 1935

LIABILITIES

	£ s. d.	£ s. d.
Authorised Capital:—		
250,000 6% First Cumulative Preference Shares of £1 each	[illegible] 0 0	
1,320,000 6% Second Cumulative Preference Shares of 5s. each	[illegible] 0 0	
600,000 12½% Preferred Ordinary Shares of 5s. each	150,000 0 0	
100,000 Ordinary Shares of £1 each	100,000 0 0	
	[illegible],000 0 0	
Issued Capital—		
219,094 6% First Cumulative Preference Shares of £1 each, fully paid	219,09[illegible] 0 0	
1,312,190 6% Second Cumulative Preference Shares of 5s. each, fully paid	328,047 10 0	
228 12½% Preferred Ordinary Shares of 5s. each, fully paid	57 0 0	
599,315 12½% Preferred Ordinary Shares of 5s. each, 3s. called	89,89[illegible] 5 0	
100,000 Ordinary Shares of £1 each, fully paid	100,000 0 0	
	737,096 15 0	
Deduct.—Calls in arrear in respect of 12½% Preferred Ordinary Shares	912 6 10	
		736,183 8 2
6% Mortgage Debentures Redeemable 1st January, 1946, at 105% (Secured on all assets) as at 1st January, 1935		425,700 0 0
Sundry Creditors and Provision for Taxation and Contingencies		12,792 13 4
Unpresented Debenture Interest and Dividend Warrants		6,173 8 9
Obsolescence Reserve as at 1st January, 1935	89,366 0 11	
Add amount provided during 1935	16,229 4 2	
	105,595 5 [illegible]	
Less amounts written off during 1935	989 9 11	
		104,606 5 2
		£1,285,454 13 5

Note 1.—The dividends on the 6% First Cumulative Preference Shares and the 6% Second Cumulative Preference Shares have been paid up to 31st December, 1935.

Note 2.—Under a scheme sanctioned by the debenture holders there is outstanding debenture interest at 2% per annum from 1st January 1932, and a sum on account of debenture redemption for the four years to 31st December, 1935. These amounts are payable in priority to dividends to the extent that there are profits available.

ASSETS

	£ s. d.	£ s. d.
Buildings, Plant, Machinery, Railway, etc., in East Africa and elsewhere—		
As at 1st January, 1935, at cost, less amounts written off	[illegible]	
Additions at cost	5,7[illegible]	
	[illegible],542 18 4	
Less Amounts written off during the year	[illegible]	
[illegible]		[illegible],[illegible] 18 4
Furniture, Rolling Stock, etc. At cost, less amounts written off		[illegible],048 7 1
Trade Marks, at cost		332 16 4
Stocks of Manufactured Products, Repairs and Constructional Materials, as valued by the Company's Officials		65,811 2 9
Sundry Debtors, including Bills Receivable, less Reserve		24,[illegible]7 3 2
Investments in Government and other Securities, at cost		[illegible],092 15 11
Cash— At Bankers and in hand in England and East Africa		9,334 14 [illegible]
Preliminary Expenses— At cost, less amounts written off		6,000 0 [illegible]
Stamp Duties on East African Leases, at cost		12,283 4 0
Profit and Loss Account—		
Debit balance as at 31st December, 1934, brought forward	85,[illegible]	
Add Loss from Account	20,383 [illegible]	
		106,071 6 [illegible]
		£1,285,454 13 5

[illegible] HOLSON,
PEVERIL F. FLETCHER, } Directors.

AUDITORS' REPORT

To the Members of The Magadi Soda Company Limited.

We report that we have examined the above Balance Sheet with the books of the Company in England and with the audited Returns received from East Africa and that we have obtained all the information and explanations we have required. In our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 31st December, 1935, according to the best of our information and the explanations given to us and as shown by the books of the Company in England and the audited Returns from East Africa.

3, Frederick's Place,

THE MAGADI SODA
COMPANY, LIMITED

Imperial Chemical House,
Millbank, London, S.W.1

REPORT OF THE DIRECTORS

AND

Balance Sheet

AND

Accounts

For the year ended 31st December 1935

38060/36 Kenya.

C.O.

R 17 FEB
D

Mr. Flood. 17.2
Mr.
Mr.
Sir C. [illegible]inson.
Sir G. Tomlinson.
Sir C. Bottomley. 17.2
Sir J. Shuckburgh.
Perml. U.S. of S.
Parly. U.S. of S.
Secretary of State.

DRAFT.

H.F.MARRIOTT, ESQ.

Downing Street,
17 February, 1936.

85

Sir,

I am etc. to acknowledge the receipt of your letter of the 3rd of February and to inform you that, ~~as you said in your letter~~ stated by you, the rate of royalty is governed by the terms of the Magadi Company's lease (as modified by the Supplemental Agreement) and these rates cannot be varied, so long as the lease subsists, except by agreement between the parties (as has been done ~~with~~ the Supplemental ~~Deed~~ Agreement). Mr. Thomas is not aware of any proposal to modify the rates of royalty at present in force, but ~~from the legal point of view~~ the question may be considered again when ~~the~~ a decision has to be taken as to the renewal of the Supplemental Deed after

Copy to H.C. (3)

FURTHER ACTION.
Copy com^d Hyh Comd. LF

October

October next.

The Secretary of State has been advised that salt manufactured at Lake Magadi can properly be considered to fall within the definition of "soda goods" as ~~defined~~ specified in the principal lease and the High Commissioner for Transport, Kenya-Uganda, has been so informed. It is possible, however, that this interpretation might be contested, and Mr. Thomas is not in a position to give any decision upon the matter, though he agrees with the advice which has been tendered to him.

I am, etc.

(Signed) J. E. W. FLOOD

75

TELEPHONE 1918 SPEEDWELL

TELEGRAMS OTWARI LONDON

"SPANIARDS FIELD,"
WILDWOOD RISE.
N.W.11.

(Hampstead North End)

[illegible]

[illegible] Under-Secretary of State,
Colonial Office,
[illegible]

Sir,

[illegible] communicated the contents of your
letter 16060/35 of [illegible] 1935 to the Board of
[illegible] Magadi Soda Company Ltd. [illegible] the views and recommendations
[illegible] the Governors' Conference to be held in May of this year
will be awaited with interest. Meanwhile, there is one
[illegible] in your letter under reply to which the Board [illegible]
[illegible] to direct your attention.

Paragraph (4) states that "the assurance asked
[illegible] would be tantamount to a promise that the rate of
royalty at present charged by the Government of Kenya
will not be increased in any circumstances."

As the rate of royalty is governed by the terms
of the lease (as modified by the supplemental agreements),
it is assumed that the sentence quoted does not imply

Copy 6 4/... (3)

END

that the Government would be at liberty at any time to increase the royalties beyond the maximum laid down in the lease.

It would make the position quite clear if you would confirm the view expressed above and that salt is a soda product within the meaning of the principal lease.

I am,

Your obedient Servant,

H. L. Marriott

Hugh L. Marriott.