

E. AFRICA
5630

C O
5630
REC'D
REC 4 FEB 21

NATIONAL BANK
OF SOUTH AFRICA

CURRENCY

1921
rd JANUARY
previous Paper.

Three copies of corres with E.A. Currency board re proposed changes and protests against arbitrary action of Govt.

5629
Secret

Minute on 10/5479/24
- E.A.

(The ...)

subsequent Paper.

5707

TELEGRAPHIC ADDRESS:
"BAKHOUDEB"

TELEPHONE LONDON 705 3668
9915
720

The National Bank of South Africa Ltd.

WITH WHICH ARE INCORPORATED THE BANK OF AFRICA LIMITED, THE NATAL BANK LIMITED AND THE NATIONAL BANK OF THE ORANGE RIVER COLONY LIMITED.

REGISTERED IN TRANSVAAL
REC-1118-01
CAPITAL AND RESERVE
£ 4,215,000

BRANCHES & AGENCIES:-

- 189 CAPE PROVINCE
- 71 NATAL
- 78 ORANGE FREE STATE
- 106 TRANSVAAL
- 8 SOUTH WEST PROVINCE
- 10 NORDRIBBIC PROVINCE
- 9 RHODESIA
- 4 SOUTHWEST AFRICA
- 4 SWAZILAND
- 8 NYATALAND
- 1 NEW YORK (WALL STREET)
- 1 ANTWERP (LA PLACE DE PARIS)
- 1 LONDON (15, MARK LANE)
- 2 HAMBURG

IN SHY REPLY TO THIS
LETTER TO TAKE QUOTE
W/HJ.

Circus Place London Wail.
London, E.C.

3rd January, 1921.

The Secretary of State for the Colonies,
Whitehall,
S.W.

Sir,

East African Currency.

We beg to enclose herewith copy of a letter we have received from the East African Currency Board together with a copy of our reply.

We desire to vigorously protest against the arbitrary action of the Government in making the suggested change and the reasons for our attitude are mentioned in the letter we now enclose.

We have the honour to be,

Your obedient Servants,

Handwritten signature
Manager.

ENCL:

meantime pending the Secretary of State's decision the
Currency Officer at Mombasa has been instructed to
suspend entirely the issue of further transfers on the
Board in London.

I am, Sir,

Your obedient Servant,

for the East African Currency Board.

W/HJ.

3rd February

CONFIDENTIAL.

The Secretary,
East African Currency Board,
4, Millbank,
Westminster, S.W.

Sir,

Referring to your confidential communication of the 31st January, and our subsequent discussion at the conference with Sir William Mercer, we wish to bring the following points urgently to your notice:-

(1) The stabilisation of the exchange at 10 Florins to the £1 was made as a permanent solution and the Government Gazette of the 31st March 1920 published a definite assurance by the Secretary of State that the 2/- rate was fixed and permanent.

(2) On this assurance the Banks in East Africa have made advances to clients and negotiated bills and generally financed importers and others on the basis of the 2/- rupee. We therefore consider that a very grave injustice would be

East African Currency Board.

done to an important section of the community by the arbitrary alteration now suggested.

(3) With regard to the grounds which have given rise to this suggestion, we are of opinion that the difficulties of the planters are not special to East Africa, but are general throughout the world, and we do not think that the proposed change will to any extent relieve the position. The effect of the sudden drop in the value of the florin will raise prices and no doubt the native agitation which has previously existed for an increase in wages will be revived.

(4) The proposed change will seriously affect merchants in East Africa and various parts of the world particularly where important stocks of goods are held in East Africa or are awaiting import thither; the price of these goods necessarily have to be increased by 30% in order to meet the cost of the imports.

Important investments have been made on the assurance that the present basis was a permanent one and the change will result in an immediate decrease in the value of such investments.

There is no assurance that the proposed change will be permanent and investors and

investors will lose interest in a Colony in which the value of property in a certain section may result in arbitrary

East African Currency Board

done to an important section of the community by the arbitrary alteration now suggested.

(3) With regard to the protests which have given rise to this suggestion, we are of opinion that the difficulties of the planters are not special to East Africa, but are general throughout the world, and we do not think that the proposed change will to any extent relieve the position. The effect of the sudden drop in the value of the florin will raise prices and no doubt the native agitation which has previously existed for an increase in wages will be revived.

(4) The proposed change will seriously affect merchants in East Africa and various parts of the world particularly where important stocks of goods are held in East Africa or are awaiting import thither; the price of these goods necessarily have to be increased by 30% in order to meet the cost of the imports.

Important investments have been made on the assurance that the present basis was a permanent one and the change will result in an immediate decrease in the value of such investments.

There is no assurance that the proposed change would be permanent and investors and the public will lose interest in a Colony in which a certain section may result in arbitrary

in currency and in heavy loss to themselves. We understand that it is decided to eventually fix the currency on a sterling basis and we suggest that the steps necessary to do so should be immediately taken in hand by demonetising Indian Rupee and supplying a suitable decs-1 coinage based on the 2/- florin.

With regard to Clause 5 in your letter of 31st May this arrangement will not, we presume, apply to bills of exchange expressed in sterling maturing after the date of the new Order-in-Council. Our view is that all sterling contracts should be payable locally at the date which on due date will cover the sterling amount.

(8) We think the present is a particularly inopportune time to make any change in currency of the nature proposed which has the effect of disturbing existing contracts and further unsettling markets which are already seriously disturbed. We have not yet had an opportunity of fully consulting our Branches in East Africa nor have we any confirmation of the critical situation in Kenya and Uganda which would call for such drastic proceedings as those now contemplated. As previously stated our view is that the present position is a world-wide one and not especially acute in East Africa, and we think the step the Government have in mind should be referred back for further serious

~~of Currency Board~~

711

eneration.

We have the honour to be,

Your obedient Servants,

Manager.

21

E. AFRICA
6930

712

C.O.
C330
REC
REL 10 '20

UNION CASTLE
MAIL S.S. COY

1921
th FEBRUARY

REBATES ON PASSAGES

Will be pleased to arrange for a representative to attend at C.O. ON A CONVENIENT DATE but point out that no change in circumstances since their letters of 27/11/19 to C.O. and to C.A. of 26 & 27/1/20.

previous Paper.
24/58 7/20

Mr. Lindbergh
Mr. Batterbee W. Bottomley

? You will be present at the interview (which I should think might be in the Conference Room) of 20, we must tell the Co & C.A. of the date & time fixed & ask the latter to send a representative.

Ever yours

I will attend if you want, but you or Sir H. Reed have decided to be going, to have another conference. We had held one so into next first but in Ca. & then we are ready and to discuss what

Subsequent Paper

1/308

Account, if any, we had in a position
to put in the Company.

Mr. Sticker
L. H. Reed

H.S.D.

11.11.24

Should I have been kept out from
Company matters I should be
glad to leave the representation
of the Co. Dept. in this matter to
be handled +

Oct. 12. 2. 11.

I think Mr. Jeffries should be done, if he can - (I am
permissive to the result of the Conference.)

C.P.
12/2

abonice.

H. J. P.

12/2/24

[Signature]

+ who
also
and

Mr. Battersea

This has been discussed with Mr. Holt & Mr. Quinn. It seems generally agreed that we are not in a position to bring pressure upon the Co., & that we must make the best use of our 3 points, viz:

- (1) That the B.I. Co. give us 10%;
- (2) that the U.C. Co. give the M. Co. for S.A. 15%;
- (3) that the U.C. Co. give our own Officials 10% when they book their own passages.

C. J. J. 18.2.21.

X
Mr. Bottomley.

I am sorry that this has been delayed during my recent absence. We are not in a strong position now to bargain with the Company. We have very little to offer them at present, and the Company would probably be able to argue, with a good deal of truth on their side, that at the present time they are losing money on the East African service. There will, of course, be a considerable amount of material to carry in connection with the Kilindini Harbour Works, and the new Railway in Kenya, but under the terms of the contracts, the contractors, and not the Colonial Government, are responsible for making the arrangements for shipping material in both cases.

I have discussed the matter with Mr. Hipwood of the Board of Trade, and ~~and~~ ^{and} he thinks it possible that the Company may ~~be able to give us a rebate,~~

~~to~~ enter into ~~an~~ agreement with ~~the~~ binding us to give them all our cargo and passengers on the lines of the 1911 agreement. ~~He~~ would strongly advise against our entering into any such hard and fast agreement at the present time, when the future level of rates is so uncertain, and when we are in so weak a position to bargain. We cannot, of course, refuse to consider proposals if the Company desire to put them forward, and if they do make any proposals for an agreement, Mr. Hipwood said that he would be glad if the Board of Trade could be informed, as they might be able to give us some assistance; in any case, they would like to know what was in the wind.

Mr. Hipwood informed me that the relations between the Union Castle and the British India Companies were for the time being quite friendly, and ~~we~~ could not build on any rivalry between them.

I think it would be better if I saw Mr. Lang, or whoever the Union Castle send, informally, and without any technical advisers present at any rate in the first instance. ~~It would be better to have a friendly talk with him about the matter, but it is a friendly talk, and the best agreement he can make is to offer a hint, say in words, about the best solution to a matter, and not to make a deal for his time, but to let the rest for a while, I have then to let it go.~~

If you agree, we will ask the Union Castle to send a representative to come and see me one day next week after Easter.

Sir W. Gladstone

N.B.

21. 11. 21.

Either that or leave it all together. I now share the thinking of the committee & will be glad to discuss it.

(Circular stamp)

*21. 11. 21
You let it drop.*

~~We~~ enter into ~~an~~ agreement with ~~them~~ binding us to give them all our cargo and passengers on the lines of the 1911 agreement. ~~We~~ could strongly advise against our entering into any such hard and fast agreement at the present time, when the future level of rates is so uncertain, and when we are in so weak a position to bargain. We cannot, of course, refuse to consider proposals if the Company desire to put them forward, and if they do make any proposals for an agreement, Mr. Hipwood said that he would be glad if the Board of Trade could be informed, as they might be able to give us some assistance; in any case, they would like to know what was in the wind.

cutting

Mr. Hipwood informed me that the relations between the Union Castle and the British India Companies were for the time being quite friendly, and ~~we~~ could not build on any rivalry between them.

I think it would be better if I saw Mr. Lang, or ~~who~~ ^{ever} the Union Castle send, informally, and without any technical advisers present ^{on either side} at any rate in the first instance.

~~It would be better if I saw Mr. Lang, or whoever the Union Castle send, informally, and without any technical advisers present at any rate in the first instance. I think that the only way to get the best out of the present situation is to get the two companies to meet and discuss the matter. I have tried to do this but have not been successful. I have tried to do this but have not been successful.~~

If you agree, we will ask the Union Castle to send a representative to come and see me one day next week after Easter.

Sir W. Peck

N.S.B.

21. 11. 21.

Either that or leave it alone altogether. I know where he stands.

Secret

21/11
Walter drop
21/11

21. 3. 21
You get the drop.

The Union-Castle Mail Steamship Company, Limited.

Telegraphic Address
CASTLE LONDON

Telephone
GUS 2413 (8 Lines)

COMMUNICATIONS TO BE
PASSED TO THE COMPANY



6330

714

RE

REL 10

10, Fenchurch Street.

London.

S.C. 3

9th February, 1921.

Copy
to quote

P.

The Under Secretary of State,

Colonial Office,

LONDON, S.W.1.

Sir,

We beg to acknowledge receipt of your communication 5891/1920, of 7th instant, in respect of the question of a rebate being allowed on the passages of Colonial Officials travelling to East Africa by this Company's steamers.

While we should be pleased to arrange that a representative of this Company should attend at whatever time may suit the convenience of the Colonial Office, we may say that there has been no change in the circumstances under which we wrote our letter of 27th November 1919 to the Colonial Office, the question being also dealt with in letters exchanged with the Crown Agents for the Colonies, who wrote us on the 26th January 1920, while we replied on the 27th January 1920 on the subject.

We are,

Sir,

Your obedient Servants,

THE UNION-CASTLE MAIL STEAMSHIP COMPANY, LIMITED,

Joint Manager.

6376

6376

10 LB 25

ASST
PROG
OF E.
UCAS

1921

CURRENCY & THE SISAL INDUSTRY.

9th FEBRUARY

Asks if deputation of Sisal growers and spinners can be received on 16th February to draw attention to unfortunate position of industry and the effect of currency policy

Last previous Paper.

W/6341
(Singing)

J.P.S.

Mr. H. Head

Mr. Jones has already telephoned twice for an answer to this letter - the second time saying that the British, Swiss & Roperian representatives are coming to London (from Ireland) specially for this meeting on Wednesday and that if it is not possible to arrange it they must be told at once

I sincerely hope that our currency problem will be settled before Wednesday - there are two ships in the Thames loaded with sisal and E.P. will come

Amad 14 Feb '21

Document Paper.

said for both of them
 so, I suppose, I would have written
 the Churchill would mean the situation
 If Col. Amey could agree to see
 them we could still proceed, but
 I think we should hold out that
 of a settlement of the Amey problem
 is possible before then the meeting
 would be necessary and would be
 cancelled.

W. Col. 10/2/21
Colonel Amey

Would you see them?

Ind by C. O.
 Estimate of monthly
 12/30
 1/2

H. J. R.
 15/11/21
 In 15th done

M. B. H. H. H.

N. B. 4.30 on 15/16 would suit
 C. Amey has done the work
 1/2

R. H. H. H. H.

Mr. B. H. H. H.
 I telephoned a message
 in Jones that Col. Amey wanted the
 separation to be postponed
 off for center

Am. Ballou

Col. Amery has asked Sir H. Leggett to suggest to his Jowers that the proposed deputation as to currency should be put off until the report of the local Commission is received.

C.J.D. 11.2.21.

As it was found impossible to postpone this deputation, it was received by Col: Amery on 16th Feb. at 4.30 p.m.

Memorandum of proceedings attached.
C.J.D. 17.2.21

has already been done

It should go to Col: Amery. C.J.D. has gone to E.A.C.B.

Sir H. Leggett

No head action

? petty
W.S. 18/2/21
at once
P. J. D.
18/2/21

See

Memorandum of a deputation of Sisal Growers and Binder Twine Manufacturers received by Colonel Amery on the 16th of February, 1921, at 4.30 p.m.

The deputation consisted of:-

Sisal Growers:-

Lord Cranworth
Mr.C.B.Hassburg
Mr.E.W.Cowan
Mr.W.M.Crowdy
Mr.F.A.Johnson
Mr.H.Jowers.

Manufacturers:

Mr.H.Craven(Messrs.Craven & Speeding)
Mr.T.Temple(Messrs.Jackson,McConnor
and Temple)
Mr.F.Dean (Messrs Hood,Haggie & Co.)
Mr.J.Frost (Messrs Frost Bros.)

Lord Cranworth, introducing the deputation, explained that the sisal industry had been started in East Africa at a time when sisal could be produced there and put on the market in England at a lower figure than was possible in any other sisal producing country; that the industry had progressed until the war, but that during the past year, two factors, apart from the fall in prices and general depression of trade, had affected it adversely. These were:-

- (1) the stabilisation of the rupee at 2/- ;
- (2) the payment of official salaries at 10 rupees or florins to the pound with a local allowance of 50 percent.

The business could not, he said, stand the loss of 50 per cent on the cost of production coupled with a reduction by 50 per cent on the price received for the produce; and, in short, it was now ruined unless the Government were prepared to help. He wished to propose that
the

Memorandum of a deputation of Sisal Growers and Binder Twine Manufacturers received by Colonel Amery on the 16th of February, 1921, at 4.30 p.m.

The deputation consisted of:-

717

Sisal Growers:-
Lord Cranworth
Mr.C.B.Hessburg
Mr.E.W.Cowan
Mr.W.M.Crowdy
Mr.F.A.Jonnaon
Mr.H.Jowers.

Manufacturers:
Mr.H.Craven(Messrs.Craven & Speeding)
Mr.T.Temple(Messrs.Jackson,McConnor
and Temple)
Mr.F.Dean (Messrs Hood,Haggie & Co.)
Mr.J.Frost (Messrs Frost Bros.)

Lord Cranworth, introducing the deputation, explained that the sisal industry had been started in East Africa at a time when sisal could be produced there and put on the market in England at a lower figure than was possible in any other sisal producing country; that the industry had progressed until the war, but that during the past year, two factors, apart from the fall in prices and general depression of trade, had affected it adversely. These were:-

- (1) the stabilisation of the rupee at 2/- ;
- (2) the payment of official salaries at 10 rupees or florins to the pound with a local allowance of 50 percent.

The business could not, he said, stand the loss of 50 per cent on the cost of production coupled with a reduction by 50 per cent on the price received for the produce; and, in short, it was now ruined unless the Government were prepared to help. He wished to propose that
the

the principle of a low value standard coin, subject to the safeguarding of the interests of debtors under the old rupee system and of creditors under the florin system, should be accepted.

718

Mr. Craven then spoke on behalf of the binder twine manufacturers in this country. He said that an average of 16,000 tons of twine was required for the United Kingdom harvest alone. He had experience as a producer as well as a manufacturer, as he had purchased a sisal growing estate in East Africa and had sunk perhaps £100,000 capital in it. He now found that he could not place sisal on rail in Kenya for less than £45 a ton; when freight charges (£10 a ton) were added, it was clear that it did not pay to produce sisal at the present price of £54 a ton, and he had had to close down the plantation.

Mr. Dean emphasised the desirability of using British raw material for the binder twine industry and freeing the industry from American domination of the market. He explained that America now supplied twine to Canada and Europe, and he was confident that if raw material such as East African sisal were available, the European market could be captured for the British trade.

Mr. Temple said that Manila Hemp was now of very poor quality, and that spinners were increasingly relying on sisal. East African sisal was of a much better quality than American.

Mr. Craven added that if the trade could be developed, the industry could employ a much larger number of people than at present.

The producers then spoke.

Mr. Hansburg said that Kenya was quite in a position to supply raw material for the whole binder twine requirements

of the United Kingdom; but the increased costs of production all round caused all estates to show an adverse balance. He quoted figures to show that this was largely due to exchange.

719

Mr. Cowan supported this view, and quoted further figures, showing that the average cost of producing sisal was £50 to £55 per ton f.o.b. at Kilindini. To this must be added the cost of freight, which was now £8 (not £10) per ton and capital charges. He recognised that the high cost of production and wages was worldwide, but considered that it was especially heavy in East Africa owing to the exchange.

Mr. Crowdy said that the growers on the Coast were in much the same position as those in the Highlands, and the time must come when they must close down.

Colonel Amery said that there was no difference of opinion as to the importance of the sisal industry, the desirability of drawing raw materials from the Empire, or the necessity for taking all possible measures to prevent so important an industry from closing down.

He pointed out, however, that the present position was not confined to East Africa, and that the cocoa and palm kernel producers in West Africa were suffering in a similar way, the costs of labour there having risen more sharply than in East Africa, even allowing for the exchange, while there had been an equal fall in prices here.

He explained the circumstances in which the 2/- basis had been decided upon, and the great advantage of the stability which had been secured. A new complication had recently arisen through the unexpected fall of the Indian rupee, and the question had been discussed fully and openly in East Africa, with the result that it had been decided not to alter the existing relation of the florin to sterling.

of the United Kingdom; but the increased costs of production all round caused all estates to show an adverse balance. He quoted figures to show that this was largely due to exchange.

719

Mr. Cowan supported this view, and quoted further figures, showing that the average cost of producing sisal was £50 to £55 per ton f.o.b. at Kilindini. To this must be added the cost of freight, which was now £8 (not £10) per ton and capital charges. He recognised that the high cost of production and wages was worldwide, but considered that it was especially heavy in East Africa owing to the exchange.

Mr. Crowdy said that the growers on the Coast were in much the same position as those in the Highlands, and the time must come when they must close down.

Colonel Amery said that there was no difference of opinion as to the importance of the sisal industry, the desirability of drawing raw materials from the Empire, or the necessity for taking all possible measures to prevent so important an industry from closing down.

He pointed out, however, that the present position was not confined to East Africa, and that the cocoa and palm kernel producers in West Africa were suffering in a similar way, the costs of labour there having risen more sharply than in East Africa, even allowing for the exchange, while there has been an equal fall in prices here.

He explained the circumstances in which the 2/- basis had been decided upon, and the great advantage of the stability which had been secured. A new complication had recently arisen through the unexpected fall of the Indian rupee, and the question had been discussed fully and openly in East Africa, with the result that it had been decided not to alter the existing relation of the florin to sterling.

ME/6376/pt

721

Kenya

14

Ind

14 Feb. 1921

Sir,

DRAFT.

The Secy,

Associated Producers of
E.A. Uganda.

MINUTE.

Mr. Jeffries

Mr. Boltwood

Mr.

Mr. Grindle.

Sir H. Lambert.

Sir H. Read.

Sir G. Fiddes.

Col. Amery.

Lord Milner.

for Council

I am to act
the receipt of your letter
of the 9th of Feb., and
to confirm the
info. already given
to you unofficially to
the effect that he
considers that the
proposed deputation
of sisal growers and
spinners should be
postponed until the
Committee which is
being appointed in E.A.
to

to consider future currency
arrangements has reported

I am,

(Signed) H. J. READ.