

1923

E. AFRICA
W. AFRICA

60668

14 DEC 23

DATE

IMPERIAL COUNCIL
OF COMMERCE

SUBJECT

PRIVATE ENTERPRISE COMMITTEE

Memo, adopted at meeting of 24.9.23 for
submission to above Committee.

Previous Paper

MINUTES

S.C. 60668
Reas
40062
E.D.

M. S. G.
... the Chamber asked
whether there were any objections to their
proceeding to make any part of
the income ... the instructions
of the Chairman of the ... I replied
that there were no objections

Mr. Harding
Mr. Harding
P. H. ...
... fact
published it in West Africa
and ... G. Gaggisberg
tells me ... suggests
in ... of suggestions

Subsequent Paper

26.9.23
3016
124

MINUTES.

MINUTES NOT TO BE WRITTEN
ON THIS SIDE.

that it is sent to
you for done.
I have known
that the Committee
will not
really report - and
I will no doubt
be sent to you for
their done. This
document of act
included in the
Report may be
sent to the same
time

M 17/12

at once
+ D.R.
28/11/23

Bring up on a
1 week.
M 29/12

W. H. H. H.

M: 11/11

As the Principal's report
has been in the
streets on 6/11/24

This may be put
at 16.5.24

M 16/5
at once

W. H. H. H.



60668
14 DEC 23

1, 2 & 3, OXFORD COURT,
and 97, CANNON STREET,
LONDON, E.C.4.

MEMORANDUM

adopted at a Joint meeting of members of
THE WEST AFRICAN SECTION AND THE EAST AFRICAN SECTION
of the LONDON CHAMBER OF COMMERCE held on 21st September 1923
for submission to
THE PRIVATE ENTERPRISE COMMITTEE (ECONOMIC OFFICE).

We venture to think that in the questions put by the Earl of Ronaldshay (Chairman), and by other members of the Committee, to the West and East African Section representatives in the course of the examination, the terms of Reference were apt generally to be interpreted in those questions in a more narrow sense than is necessary and advisable to elucidate the full and essential facts and requirements of the case. The governing sentence of the Terms of Reference reads "to consider whether, and if so what measures can be taken to encourage private enterprise in the development of the British Dependencies in East and West Tropical Africa". This sentence, we submit, opens the enquiry to the widest grounds of consideration. The succeeding sentence of the Terms of Reference directs special attention to existing and projected schemes of transportation. We suggest that transportation is in itself only one of the factors influencing the development of these Territories. Without doubt it is one of the most important, and perhaps individually the most important factor, but transportation is not so much an end as a means in the development problem. It would be a truism to state that the purpose of transportation is to serve and promote what we submit to be the only sound economic basis of all private enterprise, and indeed, of all development, in these Territories, viz., the increase of economic production by the inhabitants of the countries concerned.

We are convinced that the only stimulus that whether in stages, or still more in the long run, can become permanently effective is that of keeping down to the lowest possible figures the expenses that fall upon the economic products before they reach the World's market. We submit, with every respect, that it is sometimes overlooked by the Governors and other administrative officers, that it is impossible for traders dealing in the products of these countries to call the time as to their eventual selling value on the World's markets, because the ultimate values are determined by World conditions, and it is only by deducting from World values in the consuming markets, the ocean freights, insurance, African railway charges, export duties and other burdens that fall upon the products, before they can reach those markets, that it is possible to arrive

C.O. 533/305
PUBLIC RECORD OFFICE, LONDON

at the price which it is economically possible to pay to the native producer at the point of production. As regards the East African group of countries, and even the White Settlement area of Kenya, precisely the same conditions arise. The price realisable by the coffee and sisal planter or the maize farmer is fixed by the World's price for his commodity in the consuming markets, less the charges we have just enumerated.

We can assure the Committee that competition for local purchase of the native grown products, whether they be in West or East Africa, or of European farm and plantation owners in East Africa, is amply effective to secure that those producers, black and white, obtain the utmost local value arrived at on the above basis.

It surely follows from this argument that local selling values of produce are profoundly affected by such matters as railway rates from the interior to the coast, export duties, if any, harbour charges and ocean freights. Moreover, when the actual cost of production on the spot is taken into account, it must be remembered that the charges falling upon the products have to come out of the difference between that local production cost and the World price in the consuming markets. It will be found, on analysis, that export duties and local railway rates bulk largely in proportion to the margin between local production cost and World price, and consequently, increase or decrease of export duties, local railway freights etc. have a more profound bearing upon the welfare of the producers and consequently upon the stimulus to produce, than is the case if the only proportion that matters is that of the ratio that the African charges bear to the selling value in the consuming markets. We fear that this aspect of the matter is too frequently overlooked by those whose duty it is to administer the local Governments, and who, in our own experience, too often consider only the ratio of African charges to the value in the ultimate consuming market in Europe or elsewhere.

If it be admitted that the most important of all kinds of private enterprise is local production itself, then we have no doubt that your Committee will be turning its attention to discover in what way and through what channels, local production is being hindered, or from what causes it has not reached the scale which the population and other potentialities of the countries concerned clearly indicate as within early realisation under a sound system.

We wish at this stage respectfully to invite attention to a point, which we also suggest from our personal experience is sometimes overlooked, viz., the psychology of the native producer. He would far rather receive a larger sum for his produce, made possible, as it would be, by lower railway rates and by the abolition of export duties, and he would cheerfully pay more for his purchases of imported

goods, than to receive lower local prices for his produce and to pay less for imported goods. He likes to feel that he has the disposal of a large sum of money entirely in his own hands, and to be free to exercise his own choice in expending his money on his articles of purchase. Thus his increased buying power is at once reflected by increased imports, with their customs and railway revenue accruing to the State.

From this, we submit that the lowest possible railway rates and the abolition of export duties are absolutely essential to increased production - that is to say, to the rapid development of the Territories concerned.

Other factors in the inducement towards increased native production, which we think require more attention, are, indeed, more expenditure than they have yet received, are -

- (a) Education on sound lines.
- (b) Medical services, sanitation and hygiene, more particularly with the object of lowering the infantile death rate. We might mention that in 1932 the rate for London was 61 per 1000 births and for the Gold Coast it was 224 for 1000 births.

We are strongly in favour of giving fair play and every encouragement to the Africans to advance themselves, particularly by training them for, and utilising them in, the administrative branches of the Medical, Education, Sanitation, Engineering, Public Works, Railways, and other such departments. When full effect has been given to this recommendation, and when it has had time to fructify, the present unnecessarily high proportion of Europeans (and Asiatics in East Africa) as compared with Africans, employed in the various branches of Government service, would be reduced to more nearly the ratio usual in commercial organizations. It is hardly necessary to add that the resultant saving to the Budgets of every one of the tropical African territories and Colonies would be very large, thus allowing of reductions in taxation, and affording in a double degree the necessary stimulus to increased production and material advancement.

We now pass to the transportation question, viz: roads, railways and harbours, which we propose to take in that order.

(1) ROADS: Primarily these should be made by the Government and regarded as feeders to the Railway system and navigable waterways. Motor traffic on the roads seems to us to be an ideal field for private enterprise. We recommend that motor vehicles for transportation of produce and goods should be admitted free of import duty, and be granted low railway rates to inland points, and that they

should be, as far as possible, if not absolutely, free from local taxation beyond mere registration. By this we mean that there should be no licences required for the running of these vehicles for commercial transport purposes, other than a nominal registration fee as a police measure. The supplies of petrol and other accessories for carrying motor services should be correspondingly cheapened by reduced import duty and low railway rates. In at least one Colony the laws and other conditions appear substantially to favour cars of a type imported almost entirely from America, and we think that the position should be reviewed, in order to throw this large market open to English cars. It is this remark we are referring more particularly to matter of gross weight permitted on the bulk of the roads of the Gold Coast.

(2) LIGHT FEEDER LINES, SUCH AS DECAUVILLE TRACK, PED-RAILS, MONO-RAILS AND SO FORTH:

We are of opinion that these systems are not yet sufficiently investigated to warrant the expression of final general opinions, but they have undoubtedly not yet received the attention that they probably deserve. We should regard them, generally speaking, as suitable subjects for private enterprise, both as to constructions and working, and the formalities connected with the granting of concessions for such means of transport should be as informal and as easy as is consistent with protecting public rights. As an inducement to such light line construction and working by private parties, we see no objection, in principle, to the granting of a bonus from the main line which will derive long distance traffic off the light line. Such bonus might take the shape of allowing the light line a larger proportion of a through rate than it would be strictly entitled to on the haul over its own mileage.

(3) STANDARD LOCAL GAUGE BRANCH LINES. We think it essential that branch lines on the local standard gauge whether constructed by the same capitalist owner (State or Private) as the trunk lines, or constructed by an ownership distinct from that of the trunk lines, should invariably be worked by the same organization as the trunk lines, whether that operation be State or Private. The trunk lines should supply the rolling stock and locomotives, and should also supply and administer the operating staff for the standard gauge branches and the branch lines should, in short, be in every possible way a portion of the general railway system of the country.

(4) TRUNK LINES. We feel that no single answer, to be applicable in all cases, is possible to the question as to whether the trunk lines of these Dependencies should be invariably constructed and operated by either the State or by private enterprise. An infinite variety of circumstances exists, and is always likely to exist, and each case should be considered on its own merits. Special cases may well arise, such as the Magadi Soda Lake branch line, which are obviously more a subject for private capital than for State

capital in cost of construction, but even for such cases as that we do not think that the operation of the branch should be divorced from that of the trunk system.

We can also conceive of cases in which a concession for a self-contained railway system might well be offered to private enterprise both for construction and working, subject to Government safeguards in regard to the transportation rates to be charged. In each of such cases, it would be a fair matter for consideration as to what inducements should be offered by way of bonus, guarantee of interest or otherwise. Even in such cases, however, if the Government is in the position to provide the necessary funds, and can foresee such a return on the work as will justify the expenditure, we can see advantages in the line being constructed and operated by the Government, subject always to a special paragraph later in this memorandum as to the necessity for better commercial control than has been provided up to now during both construction and operation, of railways in both West and East Africa. The State will nearly always be able to raise the capital on more easy terms than a private party, and should be satisfied with a moderate return upon its capital, thereby enabling lower rates to be charged, and stimulating production, i.e., the real basis of development and of all auxiliary private enterprise.

As regards trunk lines and their branches both existing and that may hereafter be constructed by State money, we are generally not in favour of such systems being sold or leased to private concessionary companies. On the other hand, we consider that the administration of those lines by the State requires a drastic change of system both financially and administratively. As regards finance, they should on no account be regarded as earners of revenue for the support of the local Treasury. Any surplus earned on their working, after payment of interest and depreciation charges, should be devoted, without question, firstly to betterment, and secondly, to the reduction of railway rates. Respecting administration, we feel strongly that the management should be in the hands of an Independent Board. In our opinion, an attempt should be made to devise the best scheme of associating the best commercial elements of the Colony with the running of these organizations and we would particularly direct attention to such excellent bodies in Great Britain as the Mersey Dock and Harbour Board, the Clyde Trust etc. where the merchants, the ship-owners and the local authorities have their proportionate representation in the control, and the producing interests are also represented. The Intercolonial Railway Council of South Africa, set up by Lord Milner in 1903 for the administration and working of the Transvaal and Orange River Colony Railways and upon which all the interests enumerated were represented, affords a precedent which we commend to attention, the General Manager and his staff being the Executive Officials of that body, but with the widest administrative powers to the General Manager in technical and railway staff matters.

On the point of construction of Railways with State

money, and whether this should be done departmentally, or by contract, we also consider that circumstances have varied greatly in the past and will continue to vary, but in general, we are of opinion that railway construction should, as far as possible, be made the subject of public tender, but this, of course, pre-supposes that the schemes are thoroughly well thought out in advance and that careful survey work has been done. Undoubted evidence is available that some of the railways constructed in tropical Africa in the past have had to be re-constructed or operated subsequently at enormously enhanced expense, due to the fact that preliminary surveys were not effectively done before the work was put in hand. We consider that railway schemes should have the attention of the State at far longer intervals ahead than has frequently been the case in the past, and that some annual amount might well be placed at the disposal of the local Governments for the purpose of topographical and other surveys of routes which may become the subject of railway construction. If the preliminary and then the detailed surveys are kept well ahead of construction, it would become possible to place definite schemes before approved contracting firms, with a view to inviting tenders, and we suggest that such approved firms who are invited and who subsequently submit bona fide tenders should be allowed a reasonable sum for the purpose of investigating local conditions, the accuracy of the Government data and so forth, before submitting tenders. Failing that, there could be larger sums to the State being faced with the alternative of either constructing departmentally on an almost indefinite basis, or of inviting tenders upon insufficient data, either of which courses must defeat the object, viz. economy which we have in view.

Further, we cannot too strongly emphasize our view that before any scheme is finally adopted, whether for construction departmentally or by contract, the commercial and producing interests should be fully consulted and even heard in evidence before local committees acting to investigate the best route and other parts of the scheme. In such investigation slight weight should be given to the financial burden which loan funds for the construction will place upon the Colony concerned, and the financial aid must not fail to weigh with the greatest weight in the scales before it by the commercial interests to the extent of taxation which the country can bear towards the interest and other charges of the proposed works. Their views should only be over-ruled for good reasons clearly and fully given. We have only to point to the fact that, even in speaking not the smallest branch railway can be constructed in England without a Parliamentary enquiry, before which every interest that may think itself even remotely concerned, has the right to appear and give evidence, before the scheme is approved. It seems to us to be almost ridiculous, if we may say so without disrespect, that large schemes affecting the future of these important African Dependencies should be decided upon without something like a similar public enquiry.

(5) HARBOURS: Here again, we consider, on general lines,

that ocean ports should be developed at the expense of the State, in order to keep down interest charges. We append the view and the same comments as made above in connection with Railways, viz., that the fullest public enquiry on financial and all other grounds, should be an essential preliminary, and that in all respects their control and operation should be vested in a joint board on the lines of the Mersey Dock and Harbour Board or the Clyde Trust, already referred to. On the point of construction, we have no doubt that in practically every case, the work would be better and more economically done by contract than departmentally.

(6) PIVOTAL INDUSTRIES: There are several of these which, in our opinion, require strengthening, guiding, investigation and development generally, in order to enable them to hold their own against the World. At the moment, we particularly have in view the Oil Palm industry of West Africa, which is so seriously threatened by the Dutch East Indies. True, the Government to date have appointed certain committees, but they have been engaged on the matter in one way and another for quite seven years, and to date everything done or prospective, appears to us to be much too academic and not practical. These matters have been the subject of representation by the West African Section of the Colonial Office. There are similar questions in East Africa in the matter of pushing forward cotton development of Uganda and Tanganyika, coconut planting on the coast, the protection of coffee planters against insect pests, and standard grading of various produce.

(7) LAND TENURE AND TRADING SITES (WEST AFRICAN COLONIES).

We think it is to be regretted that the West Africa Lands Committee, which held such a prolonged enquiry in 1912/13, has never reported. We also consider that the method of auctioning trading sites in certain Colonies is to be deprecated. In the past the Government would not grant a trading site in any district until more than one Company required a site, and in practice the result was generally that there were always more firms wanting sites than there were sites put up at any one auction, so that no matter what price was paid, some firm had to go without a site.

This is a distinct discouragement to trade, and to the opening up of the country. It hits the small trader especially hard. In our opinion every possible facility should be given to Merchants, no matter how small their capital, to open trading stations and compete for the trade of that district. Incidentally, it should be quite clear to any Government that, if a Merchant has to pay a very high premium and high rents, with the possibility of these being revised in an upward direction, at comparatively frequent intervals, the Merchant will endeavour to get

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back his money by making extra profit when buying or selling goods.

(8) TAXATION (WEST AND EAST AFRICA). We fear the Governments of British Africa Tropical Dependencies do not always appreciate the disadvantage under which British firms labor in competition with certain foreign firms, owing to the former alone being subject to heavy English taxation. When the Excess Profits Tax was payable, the French firms in the Gold Coast could sell goods at the cost price of British firms, and yet make a handsome profit. Even to-day, over 20% of British firms profits go in British Income Tax before the shareholders get their dividend, and this deters the investment of Home capital in the development of tropical Africa. Systems of Local Income Tax, such as have recently been abolished in Kenya but recently imposed in Tanganyika, are especially undesirable and deterrent. Such systems can be equitably administered only if an expert staff is maintained by the local Government and this is a costly matter. The local yield of such a form of local taxation does not justify the cost. Moreover, traders are put to heavy additional expense on book-keeping staff, and have to duplicate their work when the local and Home Income Tax rules vary, as in all cases they do.

(9) GOVERNMENT PURCHASES. Usually the great majority of these are purchased through the Crown Agents. We think the time has arrived when the local Merchants should be given an opportunity to quote for all Government supplies, and if their quotations are reasonable they should be given the orders on the spot. When comparing quotations from Merchants with those of the Crown Agents, the Government should take into consideration that the Merchants have to pay duty upon all their imports, also the fact that goods purchased by the Crown Agents are generally paid for at the Factory in Europe or against shipping documents, while the Merchants are generally paid on delivery of the goods in the Colony.

(10) SYSTEM FOR KEEPING CLOSER COMMERCIAL TOUCH BETWEEN THE SECRETARY OF STATE AND THE DEVELOPING INTERESTS, VIZ. NATIVE, COMMERCIAL, MINING AND OTHERWISE.

We feel that it is essential to the effective and rapid development of the African Tropical Dependencies that there be set up in London at the earliest possible date a representative Committee of experts who could give information to the Colonial Office, and could offer respectful criticism of Government schemes, and indeed of the operations of the local Governments in matters of taxation and expenditure and financial policy. Such a Committee might also well prove to be of some service to the Governments by becoming apprized of the views and reasons of the local Governments for this or that course of action, especially as to the scales of Government expenditure which, in turn, regulate the revenue that each country has to be called upon to raise. What we plead for is, in brief, a system of closer co-operation between the Governments and the private elements, producer, merchant, shipowner, etc. etc. in all that makes for enhanced prosperity and the greater value of these Dependencies to the British Empire.