

EAST AFR PROT

23103<sup>53</sup>

REL 10 MAY 20

23103

ROWING 350

COAL FOR RAILWAY

1920

51st MARCH

last previous Paper.

22506

Trans correspondence re. Suggests broadening of basis of tenders to prevent advantage being taken of Govt. Requests steps be taken to recover loss arising from short delivery. Requests copies of last year's and of all future contracts

*See drop despatch. Cooper letter  
thanks for ~~and~~ which, I understand  
has led to Uganda Railway being  
with short ~~at all~~ ~~contracts~~.  
I think I suggest that they  
should do the thing in other spheres.  
The book when can be ~~fully~~*

*Coat 12 1 20 5*

subsequent Paper.

24914

31<sup>st</sup> March, 1920.

My Lord,

With reference to Your Lordship's telegram of December 15th and despatch No. 1401 of the 16th idem respecting the supply of coal to the Uganda Railway during 1920 I have the honour to enclose copies of letters from the General Manager and the Treasurer on the subject.

2. It appears somewhat difficult to reconcile the statement apparently made by Major Leggett that the British East Africa Corporation possessed a monopoly of the supply of Transvaal Coal, with the letter addressed to the General Manager by Messrs. Smith & Nissen's company on December 15th offering to tender "for the same coal as you are now getting". In view of this discrepancy, which seems hard to explain, I am inclined to favour the suggestions made in paragraphs 13 and 14 of the Treasurer's letter advocating a broadening of the basis of tenders which would prevent advantage being taken of the Government in transactions of this kind.

3.

RIGHT HONOURABLE

VISCOUNT MILNER, P.C., G.C.B., G.C.M.G., &amp;c., &amp;c.,

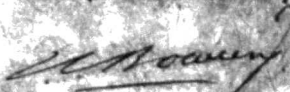
SECRETARY OF STATE FOR THE COLONIES,

DOWNING STREET,

LONDON, S.W.

3. I should also be grateful if such steps as are possible under last year's contract may be taken to recover the loss arising from short delivery. We have no record of the contract in the Protectorate and I should be glad to receive copies both of last year's and of all future contracts.

I have the honour to be,  
Your Lordship's  
humble, obedient servant,



ACTING GOVERNOR.



540

TELEGRAPHIC ADDRESS:  
MANAGER, U. R. R.  
P. O. BOX 27.

# Uganda Railway

REFER TO IN  
YOUR REPLY.

General Manager's Office

Nairobi 30th June 1930.

S. E. A.

The Honourable The Acting Chief Secretary,  
to the East Africa Protectorate,  
The Secretariat,  
NAIROBI.

Sir,  
re COAL FOR 1930.

I have the honour to inform you that I have just received a cable from the Steam Agents informing me that they have entered into a contract for freight on the wharf at 35/- per ton, less 2%.

The cost of this coal landed at Kilindini will now be:

Price of coal . . . . .	21. 8. 0	per ton.
Weight . . . . .	2. 14. 0	
	Rs. 2. 0	
Rs. 23/- . . . . .		Rs. 61.50.
Landing Charges . . . . .		2.00.
		<u>Rs. 63.50</u>

In regard to this I would like to quote the following cables:-

From Steam Agents, London, 8/1/1930.  
To General Manager, Uganda Railway, Nairobi.

British India Steam Navigation Co. Ltd.  
"I have contract coal for current year 25.00/- per British ton (2240 lbs) would endeavour to obtain slight reductions.  
"Carries proposed up to 7000 tons if you accept.  
"report largest quantity in any steamer you can deal with."

From General Manager, Uganda Railway  
Nairobi . . . . . 23/1/1930.

In answer to your telegram of 24th January you state that year's contract rate one round steamer call and sixpence you have quoted 25 rupees which at present rates of exchange is a little over 2 pounds eight shillings. As there rates are high and very high. Endeavour to obtain favourable rates of freight from other British steamships. Advice restricting carries to 6000 tons will leave place contract with you or not in touch with shipping Agents."

3. From Crown Agents, London, 23/1/1920.  
to General Manager, Uganda Railway, Nairobi.

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"with reference to your telegram dated the 13th  
January Coal freight contracts concluded with  
"Hann George and Company 55 shillings per British  
ton (2,240 lbs) less B.M. No better offer  
obtainable 17,000 tons first 6 months with the  
option of further 15,000 tons second 6 months.  
"First shipment will be made February 1920  
"Discharge."

In their cable of the 8th they quote a price of Rs.25,  
and in their cable of the 23rd they quote 25 shillings.  
I would like to know if the question of the cost is  
the reason why they did not accept the offer of Rs.25/-.

Another point that should be taken up is the fact  
that the contract for 1919 was never fulfilled, although  
this was pointed out to the Colonial Office, vide your  
telegram of 23rd December.

Last year's cost was as follows:-

Price of coal . . . . . Rs. 6. 10.  
Freight . . . . . 7. 6  
Rs. 13. 4

@ Rs.15/- . . . . . = Rs.40.75  
Landing Charges . . . . . = 5.00  
Rs.45.75

A balance of 15,500 tons is due on the old contract and  
by its non-fulfillment the Railway will lose:-

15,500 tons @ Rs.66.50 = Rs.45.75  
= Rs.20.75 . . . . . = Rs.321,625.

In the cable of the Secretary of State dated 15th Decem-  
ber, in reply to Sir G. Bellamy's cable No.998 of 3rd  
December, the following appears:-

"The present prospect of obtaining a renewal coal  
contractive terms. Have ordered therefore 35,000  
tons from West Africa Corporation including balance  
of present contract and 3,000 tons for C. . . ."

and in this connection I have seen copy of a letter dated  
19th ult. from Sir G. Bellamy's cable No. 14, which speaks  
for itself, viz:-

"COAL SUPPLY. With reference to previous cor-  
respondence on this subject, we again apply for  
terms to cover our requirements of the above  
for the forthcoming year.

"We may say that we are now quoting for the  
same coal as you are now getting on a c.i.f.  
basis delivered against cash.

"We shall, however, be obliged if you will  
inform us of the probable quantity required and  
how distributed."

In an estimate for 1920-1921 allowed 23,000 tons of

coal

541A

coal at \$2.40 per ton & is now to be increased to \$2.80, resulting in an increase of 22,666.

To preserve the record will be made for this coal, and the claim of the exchange.

...  
...  
(signed) J. G. ...

The Hon. the Acting Chief Secy.

-73-

22/1/1920.

541A

coal at Rs.49 per ton = Rs.1,078,000. This figure will not have to be increased to Rs.1,465,000, or Rs.387,000, giving an increase of Rs.366,000.

I presume the Treasury will send home the money to pay for this coal, and would therefore not you in consider the claim of the Grands Colliery to receive the benefit of the advance.

I have the honor to be,

Sir,

Your obedient servant,

(Sd.) S. Cooper.

4/4/40.

The Treasury,  
P. O. Box 6035,  
Nairobi, 2nd March 1940.

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Mr. Ag. Chief Secretary.

Re: Joint Contract for the Uganda Railway for the year 1939

I forward herewith a letter from the Hon. the General Manager to 8587/36 dated the 30th January. The delay in forwarding the letter is due to necessary correspondence with the Hon. General Manager who has been away. I have only to-day received the information I require.

As my file on this subject is incomplete I borrow yours and on the facts of the case as shown therein I would ask that you will be so good as to consider the propriety of requesting Sir Maxwell Northey to enquire personally into the matter before he leaves England.

My reasons for making this suggestion are (1) the difficulty of reconciling the statements made to the Under Secretary of State for the Colonies by the F.E.A. Corporation with those made to the Hon. General Manager by Messrs Smith Vickers & Co. and (2) the apprehension which arises on perusal of the correspondence as to the interests of this Corporation in a matter of considerable financial importance.

The correspondence is enclosed:-

- I. That the Hon. General Manager had received requests for permission to tender for coal for 1939 from several sources.
- II. That on November 14th Major Loegeth of the F.E.A. Corporation (the Contractors for 1919) had a conversation with Mr. Pottinger of the Colonial Office in which the former stated that in the interests of the Government he had obtained an option on without coal for East Africa for 1939 and would supply at 25/61 per ton. This conversation was confirmed by the F.E.A. Corporation to the Under Secretary of State on the 1st December.
- III. That on November 14th the Hon. General Manager's letter to the Under Secretary of State was sent to the Crown Agents at London to be retained as a reserve for possible supply in South Africa.
- IV. That on the 15th November the Crown Agents communicated the telegram of November 14th, indicating the Hon. General Manager's desire to obtain local tenders, to the Under Secretary of State.
- V. That on November 20th the Secretary of State wired to Sir Maxwell Northey the Ag. Governor stating that a renewal coal could not be obtained except through the F.E.A. Corporation and that unless there were prospects of suitable coal from India shipments would surely involve loss of the Transvaal offer.



- VI. That on December 3rd His Excellency the Acting Governor wired to the Secretary of State expressing surprise at learning of a monopoly of Transvaal coal and mentioning the disappointment that would be felt by local firms if they were not given an opportunity to tender.
- VII. That in a letter to the Hon. General Manager dated December 13th Messrs Smith Mackenzie & Co. again inquired if they might be allowed to tender and stated "we may say that we propose bidding for the same coal as you are now setting, on a c.i.f. landed delivered weight basis."
- VIII. That on December 15th the Secretary of State wired to His Excellency the Acting Governor to the effect that there were no prospects of obtaining Transvaal coal on competitive terms and that he had therefore ordered 15,000 tons from the P.E.A. Corporation including the balance of the then existing contract.
- IX. That on December 17th the Acting Secretary of State closed the order for 20,000 tons with the P.E.A. Corporation at 25s. - per ton stating that except for a possible delivery in January on the terms of the old contract (C.I.S.10 - 14/14) the unfulfilled part of the existing contract would lapse.

4. It should be noted that there is nothing in the correspondence to indicate a monopoly of Witbank coal for East Africa beyond the statement of the P.E.A. Corporation (who were interested parties) that they had in the interests of the Government obtained an option thereon. There may have been an option on a certain quantity of Witbank coal but in view of the letter from Messrs Smith Mackenzie of the 13th December it would appear that there could have been no option on supplies to P.E.A. It is believed that Messrs Smith Mackenzie & Co. import Witbank coal for their own use at Mombasa and Zanzibar.

5. Why calling for tenders locally should involve loss of the Transvaal offer (vide v above) is not stated. If the P.E.A. Corporation had an option, local invitations for tenders would not have prejudiced their prospects of obtaining the contract, yet there is obvious anxiety to avoid local tenders.

6. The effect of the high rates for coal and freight for 1920-21 upon the Railway Estimates for the coming year is set forth in the Hon. General Manager's letter of the 14th.

7. A further point mentioned by the Hon. General Manager which needs to be emphasized is the loss to the Government entailed by the non-fulfillment of the contract for last year.

8. The prices for last year were:-

Local C.I.S.10 - 14/14 a  
 25s. - per ton

C.I.S. 9 per ton  
 17.0.0

9. The prices for the current year are:-

Coal	£1. 8. 0 per ton
Freight	2. 14. 0 " "
Difference	£4. 0. 0 " "
	£1. 8. 8. = 544

10. Owing to failure to deliver 12500 tons under last year's contract it appears that the Protectorate will lose the sum of £22,281.

11. It is I think legitimate and necessary that enquiry should be made as to whether recovery of this amount cannot be effected under contract clauses. The Protectorate can ill afford to bear such a loss as this and, I submit, should not do so without protest.

12. I cannot find in the files any copies of the contracts entered into in England; it is I think desirable that copies should be furnished of last year's contracts, the present contracts and all future contracts.

13. The practice of calling for tenders locally and in England is permitted in another Colony. The tender forms, conditions and schedules, also date for receipt of tenders, are the same in both cases. Particulars of the Home tenders are cabled to the Colony and it is left to the Local Government to decide. It is difficult to find any objection to this course and there are obvious advantages.

14. As expenditure on coal is an important matter I may perhaps be permitted to suggest the desirability of broadening the basis of tenders as far as practicable by instituting enquiries in India and South Africa as to the most suitable coals for railway requirements and inviting tenders for several classes. It will invariably be found that if any undertaking is in the habit of stipulating one class of coal an option or monopoly on that coal will sooner or later be obtained and the price forced up until a broader basis of tender is adopted.

15. The matter of the difference in exchange referred to in the last para of the Hon'ble General Mahajan's letter attached is under consideration.

W. H. ...  
for the ...

Go/23/03/20 E.A.A.

DRAFT.

1180  
Sir E. H. Baring

MINUTE.

- Mr. Baring 12/8/20
- Mr.
- Mr.
- Mr. Grindle.
- Sir H. Lambert.
- Sir H. Read.
- Sir G. Fiddes.
- Col. Attery.
- Lord Methuen.

Dear Sir,

The receipt of your letter  
dated 10.3.20 on the subject  
of the supply of coal for the  
Upminster Railway.

I thought an oversight due to  
absence of work at the time  
the request that you should  
be consulted before you  
left England was overlooked  
and with the  
absence of Sir H. Baring  
I enclose it to you with  
hopes it would be  
the best result with  
reference to the subject  
of 1920 arrangements.

20.5.20 Copy to 18.12.18  
(60358/18)

20.5.20  
(73257/19)

The order for the assets  
The default has been  
impossibility of providing  
sufficient shipping & Co  
to carry, but the liability will be left  
to the ~~order~~ <sup>the</sup> ~~order~~ <sup>order</sup>  
might be exposed to a claim in respect of coal  
transported ~~to~~ <sup>to</sup> ~~the~~ <sup>the</sup>  
order has not taken into the  
charge ~~of~~ <sup>of</sup> ~~the~~ <sup>the</sup>  
commitment of the coal

DRAFT.

MINUTE.

- Mr.
- Mr.
- Mr.
- Mr. Grindley
- Sir H. Lambton
- Sir H. Lambton
- Sir G. Fiddes
- Col. Amery
- Lord Robert

5. London copies of the  
 terms  
 letters from the British  
 East African Corporation  
 Corporation which  
 constitute the contracts  
 for the 1919 and 1920  
 supplies, as regards  
 the future, for well as  
 the past have been discussed  
 during the meeting

making other arrangements  
by local tender or  
otherwise, and I do  
not propose to take any  
steps for the reversal  
of the <sup>existing</sup> arrangements with  
the supply or carriage of  
the ~~Transport~~ <sup>cool</sup> ~~cool~~  
Association unless you  
advise me to do so

}

WALTER