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Conference on East African Shipping

Dr. J. H. Johnson
Ch. Kelly

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Subsequent Paper

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Conference at Colonial Office on July 27, 1910, on proposed Union-Castle Line service to and from East Coast of Africa by Suez route.

Col. Seely presided and there were present Mr. Mercer, Mr. Read (Colonial Office), Sir Matthew Nathan and Mr. Walker (Post Office), and Mr. Molteno, Sir F. Mordaunt, Sir Evelyn Evans and Mr. Cook (Union-Castle Co.).

At Col. Seely's invitation Mr. Molteno briefly stated the Company's position. They proposed a four-weekly service via Suez between Southampton and Durban, out and home, connecting with their Cape Mail Service. To do this on this route they would have a big German liner, a small one; and they asked the Government to say, if it wanted the service established, in what way it could assist them. What they looked for was definite Government support for a definite term of years. In view of the Suez Canal dues - some £30,000 or £40,000 a year, they would have at the outset to face a loss; but they felt that the German domination must be broken, through one or never. But they could not embark on this risky undertaking without a definite pledge of Government support.

Col. Seely observed that there were only three cash values to be considered: (1) passengers, (2) goods, (3) mails. The first and last were the easiest points to settle, and Government support for the Company under both heads was defensible; but on the question of goods (the Company, it appeared, had asked for two-thirds of the Government freight) he saw difficulties. The Government had to meet House of Commons criticism, and it would not be easy to defend what would be called a hole-and-corner agreement, giving a virtual monopoly. The question would certainly be asked whether the Government had taken steps

is annexed
Mr. Molteno's
copy of 20
y to Sir M.
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to ascertain that the proposed service was the best that could be obtained for the price, and if not, why not. For this reason he would greatly prefer the normal, almost universal, practice of asking for tenders.

To this suggestion Mr. Molteno and Sir F. Mirrielees strongly objected, as it would expose their hand to the Germans. It must be borne in mind that the Company would be risking their South African position (the new scheme, said Sir F. Mirrielees, would almost certainly cause a war of races in South Africa); and the Company's exceptional risk ought to have an exceptional arrangement with the Government, especially before Parliament. In this view Sir Matthew Nathan concurred.

Mr. Mercer said that there need be no public advertising for tenders; a few shipping firms might be invited to be considered. Mr. Molteno and Sir F. Mirrielees replied that this would be a real privacy; the facts would be known to the Shipping Press. Further, certain (German) Parliamentary criticism) would be made of the Government if their Company was really the only one to be invited to a bona fide tender, but they objected to the idea of a tender for the reason already given of the exposure of their hand to the Germans. Col. Seely and Mr. Harcourt suggested, in lieu of a calling for tenders, a confidential letter to shipping firms asking them to say, within some limited time, say a week, whether they could furnish a better service than that (i.e. the proposed Union-Castle service) that had been laid before the Government. When the Company would be spared the publicity they feared and would really be shielded from any effective competition, while the Government would have an answer to the inevitable question in Parliament whether they had made any enquiries outside the Company. Mr. Molteno replied that he thought

thought Parliament would be likely to criticize this step even more strongly as a "hole and corner" proceeding than it would the arrangement with the Company which they were seeking.

Asked by Col. Seely what was the Post Office view of the proposed service, Sir M. Nathan explained that it would be valueless with the Five Table as it actually stood—the dates practiced in making the service coincident with the existing British India service. On the other hand, if the dates should be altered by a fortnight, the Post Office would have British service to and from East Coast of Africa as far as Zanzibar every fortnight instead of once a month, as at present. The new service would also be of great advantage for carrying mail parcels for China at present sent by German Packet.

As to the postal value of the service, it could not be expected to exceed that of the British India service, about £2000. In reply to Sir T. Merridale, Mr. Walker explained that the service was not to be run by the Post Office. It appeared that the Government proposed to COL. Seely £10,000 as a postal subsidy for a period of five years. They could be giving a better service than the British India Company, with its subsidy of £10,000. Sir M. Nathan explained to Sir T. Merridale that this service would be run by the Post Office vote, and would be a purely postal consideration. Anyhow, said Sir M. Nathan, the new service would not justify a payment on postal grounds, even allowing consideration for regularity and control, of more than about £2000.

Mr. Walker and Sir T. Merridale were manifestly dissatisfied with the £10,000 figure, but beyond suggesting that a special increase of receipts might be looked for from the certain increase of correspondence between the East Coast and

and

agreement with them, the Government ought not to ignore them in the matter. Accordingly he proposed, and it was agreed, that he should tell Mr. Molteni that the Government would be prepared to consider an agreement with the Union-Castle Company for carriage of goods as well as of passengers and (some) postal subsidy only upon condition that the British India Company was at once informed of the scheme and given the opportunity of competing. If Mr. Molteni would not consent to this, then the Government could consent to an agreement with his Company about passengers and mails only, and not about cargo.

K.B.W.

277 1910.

Private

Confidential

NY 25
1910

My dear Sedg

Here is the
very rough draft
of which I spoke +
which I send you
- without prejudice - so as
to save time and to
get nearer to the
actual agreement
I should want you on
Wednesday at 12.15

R. H. [unclear]
Ed. Sedg M.P.

J. J. H.
A. Muller

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AGREEMENT for the Establishment of a Service
of Steamers via the Suez Canal between the United
Kingdom and East Africa and South Africa.

IT is agreed between His Majesty's Government of the
one part and the Union Castle Mail Steamship Company of
the other that, in view of the fact that it is desirable
in the public interest to establish a direct Service
of British Steamers between the United Kingdom and
Mombasa and Zanzibar, via the Suez Canal, and in view of
the fact that the dues charged for the passage of Steamers
through the Suez Canal creates very great difficulties
in the way of the establishment of such a service, and
in view of the fact that His Majesty's Government are
unable to promise any subsidy to meet the cost of such
canal dues, it is agreed between His Majesty's Government
and the Union Castle Steamship Company that His Majesty's
Government ~~and the governments of the Protectorates of~~
East Africa, Uganda and Nyasaland, as well as Zanzibar,
~~will~~ do their best to support a Service of Steamers to be
established by the Union Castle Company in the following
manner and under the following conditions:

THE Union Castle Mail Steamship Company will
~~retain the~~ ^{maintain} service of Steamers to sail once in four
weeks from a port or ports of the United Kingdom to
British East Africa via the Suez Canal, and to return

200^a

via the same route from the ports of British East Africa to the United Kingdom.

THAT in order to carry out the undertaking to support this Service of Steamers His Majesty's Government will give the conveyance of all their Government passengers and emigrants to and from the Protectorates to the Steamers of the Union Castle Company. In the event of urgency they will be at liberty to send by other steamers; but this power is only to be used to limited extent, and not to the prejudice of the Union Castle Company's Steamers.

HIS Majesty's Government agree to give two-thirds of all the Government cargo from the United Kingdom or the Continent to the Steamers of the Union Castle Company. All ordinary Government cargo requisitioned by the Government shall be carried at the current tariff rates of freight, (or alternative at a fixed rate of freight) but in regard to railway material, railway stores and articles of such nature the Union Castle Company will carry these goods at a fixed rate of shillings per ton.

HIS Majesty's Government, as well as the Governments of the Protectorates above named, will do their best to support with such cargo as may be under their control homewards the Steamers of the Union

C.O. 82
ALL WITHOUT TENDERS
PUBLIC RECORD OFFICE, LONDON

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Castle Company, provided the rates by such Steamers are not above the current rates ruling at the time. That the Union Castle Company shall not be compelled ^{for the carriage of mail} to take extreme rates such as may rule owing to a rate war.

HIS Majesty's Government will use their best offices to arrange for the carriage of mails by the Steamers of the Union Castle Company, who are to receive a proper subsidy for work done in connection with carrying mails.

THIS Agreement shall endure for a period of years from the first of August.

THE first sailing shall take place on day of September from the United Kingdom, and continue thereafter at regularly four-weekly intervals.

Confidential

Mr. Molteno M.P. left the ^{annexed} ~~enclosed~~ paper with Col. Seely. The time-table indicates the proposed monthly service via the canal to Mauritius and Zanzibar. The agreement Mr. Molteno's idea of what he would like the Government to purchase the also indicated that he proposed to approach the P.M. of India with a view to obtaining the subsidy of £12000 at present paid to the British India Co. for the Aden-Mombasa mail contract. He thought the British India Co. would be glad to relinquish it. The point about the terms of the contract with the S. African Government. He wanted the value to be treated as strictly confidential at present, but desired to know the attitude of the C.O.

I am not
sure of the
amount
17000

FT

11.11.19 July 19

Sir P Hopwood

I agree generally with the
Plan. It must not be forgotten that
the P. firm and working some capital
not done by retaining long will have the
best borrowed rate for purchase of the
C.P. and also that in favour of
S. J. N. Co. as regards the American Contract
But I think that the merger question
will require to be kept in view
in a year or so especially the American Contract
don't lose sight of it. I mentioned myself
my name on Dec 6. 2/7 on account of
(B.S. & 19/6)

Dec 24

I am a little uneasy about
the way in which the
affairs are being managed
and I am sure that
many quarters

W. C. C.

Dec 27

If we could only be sure that the Company would
continue their service it would be well worth
the while to see them in some way
to see if they are really firm
at all the very thing with J. Jones
and the other firm. I told us two
years ago that it was not a
probability of

PROPOSED SERVICE

<u>Southampton</u>	<u>Marseille</u>	<u>Suez</u>	<u>Mombasa</u>	<u>Zanzibar</u>
Sept 14	Sept 22	Sept 29	Oct 11	Oct 12
Oct 12	Oct 20	Oct 27	Nov 8	Nov 9

WARD

<u>Zanzibar</u>	<u>Mombasa</u>	<u>Suez</u>	<u>Marseille</u>	<u>Southampton</u>
Nov 11	Nov 12	Nov 24	Dec 1	Dec 9
Dec 9	Dec 10	Dec 22	Dec 29	Jan 6

(Draft)

Whereas it is desirable in the public interest that a British Service for mails and passengers should be established to connect the United Kingdom with the ports of British East Africa, and Zanzibar and vice versa, and whereas the heavy dues on steamers passing through the Suez Canal - especially on passenger steamers - make it very onerous to undertake the establishment of such a service, and whereas His Majesty's Government are unable to give a subsidy for such a service. Now it is agreed that H.M. Government will do their best to support the service of steamers to be established by the Union-Castle Company.

The Union-Castle Company will establish a service once every four weeks from the U.K. to East African ports and from East African ports to U.K. The steamers will be passenger steamers of a high class calling on

fixed dates to commence

H.M. Government agree to give all their passengers at current rates to the Union-Castle Company's steamers.

H.M. Government agree to give at least two-thirds of their cargo to the Union-Castle Company's steamers at a (all round rate) or at tariff rates

*AM Govt to ...
...
...*