

1911

EAST AFR. PROT.

L 885

4055

Railway rates.

Submt. opin. Cannot approve policy now
suggested, viz that for the to be empowered to vary
rates on particular items. Desire to adhere to
attitude adopted so heretofore, but will consider any
proposal for reduction of rates if it can be shown that
net profits may be reasonably expected to increase thereby.

Mr. Fisher

If we return to the charge at
once I am afraid that we may perhaps
prejudice the question of the loan for
the E.A.P. which is now under the control
of the Treasury.

I should be inclined to answer their long
saying that Mr. Harcourt notices that
they make no reference to the statement
at the end of the 8th para. of the
Govt. despatch that the passenger rates, more
particularly to the 3rd class rate of mail,
a prohibitive character that thousands of
retains all the railway line as a road

casualty
1911
No. 26
5337/10

See
C.O.
9492

28 192 50
U. A. R. B. W.
subsequent Pay of
9040

In preference to travelling
- & ask whether, in view of the cost
of them, it is better to
leave the firm a free hand to
make such arrangements as would bring returns on to
the Railway.

If they agree to this we can then
ask him to ^{give} ~~ask~~ him to ^{write} ~~write~~ us his
views on the Treasury letter generally - ^{as a result}
of the result of the working of the R.R.
during the last year (we know that
it is going to be a good year) & also
to specify any further reductions ^{in rates} which
he may consider desirable & what
is his opinion as regards the likely
increase the net profits of the railway,
in order that we may submit them to
the Treasury as they suggest.

J.R.
20/II

Col. H. H. Harcourt

Not a bad letter, arguementally.
Roughly correct of the Treasury that the value of a
railway is a function of the fixed cost
of the system - by which the
Treasury attempt to control their details, on
third-hand information - is vicious: the defence of

see last note
in penultimate
para of
letter

I suppose financial interests in such
matters must be the concern of the Sec.
of the Treasury - but it is a question
of the distribution of the proceeds
of the railway.

C. proposed.

20/II

Mr. Harcourt

I agree that the system is hopelessly
bad, and does not make for economy.
But on this occasion I think we may
content ourselves with a reply as proposed
to Mr. Read.

20/II

Yes, we must not start on full
dress now till we have got the
bone.

If we can get a free hand for
passenger rates I believe Sir P.
Grosvenor will be satisfied
with the proposed

20/II

In the reply to this Letter the following
Number should be quoted.

4885

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REC^d
REF 14 FEB 11

TREASURY CHAMBERS,

17th February 1911.

Sir,

KN
25332/10

The Lords Commissioners of His Majesty's Treasury have given Their most careful consideration to Mr. Cox's letter of the 24th August last (25332) on the subject of the policy to be adopted with regard to railway rates in the East African Protectorate.

do -

The Secretary of State commends to Their Lordships a suggestion made by Sir Percy Girouard in his despatch of the 6th July, that the Governor should be entrusted, not with a general power of reduction of rates, but with a power to vary "the rates on particular items which would assist in the development of the country and its revenue".

My Lords fear that They are not able to appreciate the distinction which His Excellency desires to draw between a general power to reduce rates and a power to vary the rates on particular items. It is obvious that in practice the distinction might easily be made to disappear altogether.

They gather, however, from other passages in the despatch that it is intended to use this power of reducing rates in order to promote the general development of the trade of the Protectorate, but without much regard to the effect which such measures may have on the profit and loss account of the railway.

The Under Secretary of State,
Colonial Office,

My

My Lords think it right to state at once that They are unable to approve of this policy.

They agree with His Excellency that the "antiquated impractical system of using the railway as a taxing machine... is impossible of conception", and They need only observe that, so far as They are aware, no such policy has been attempted in East Africa. After more than 6 years' working the net profits of the railway are barely sufficient to pay a dividend of one per cent on the capital provided by the taxpayers of the United Kingdom.

They are of opinion that until there is a margin between the gross receipts of the railway and its working expenses sufficient to provide a reasonable return on the capital embarked in it, no proposal can be entertained for a general reduction of rates, unless it can be shown that such a reduction would be likely to result in a larger net profit. Nor do They understand the difficulties which His Excellency professes to have experienced in obtaining variations or reductions of rates when they have been recommended by the Protectorate Government. He urges that the considerations which weigh with him in making such recommendations can never be "fairly dealt with or understood some 6,000 miles away". Distance does not appear to My Lords to be an element of such consequence in explaining a question of policy, and They note that, later on in the same despatch, His Excellency states that he "would not at any time propose such a measure without full consultation with "the Secretary of State.

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My Lords have sanctioned reductions which appeared to be justified I am to point out that on the 6th December 1909 the Secretary of State recommended that the Governor in Council should have a free hand in dealing with coastward rates on raw products. On the 20th of December My Lords agreed to this proposal, subject to certain conditions with which Lord Crewe expressed his entire concurrence. On the 20th January, in reply to Sir Charles Lucas's letter of the 17th, My Lords agreed to a further reduction in the case of maize for export, and on the 24th March this concession was extended to beans. On this occasion, however, My Lords made, what appears to Them to be the not unreasonable stipulation - that no further reductions should be made until the effect of these concessions on the railway revenue could be ascertained.

To this attitude They desire for the present to adhere, but They will always be ready to consider any proposals for further reductions in specific cases, provided it can be shown that there is a reasonable probability of the net profits of the railway being thereby increased; and, as They have already pointed out, no difficulty need be anticipated in obtaining Their assent if satisfactory reasons for a change can be brought forward. But in the present circumstances of the railway and in view of the difficulty of raising rates which have once been lowered, They think that no step should be taken in this direction without the fullest consideration.

I am, Sir,
Your obedient Servant,

J. H. Murray

Trassey Oct 27
4868

25 1874

to Mr

I am etc to ask the

account of your letter

no 15975 of the 16th of Oct.

in the subject of the

policy letter signed to

Sanchez etc in the last.

2 hi Harcourt notices

reference is made

that in your letter you

~~make no reference to~~

the statement at the

end of the eighth para.

of Mr P. forward's despatch

of the 18th of July last.

that the passage etc

DRAFT.

Secretary to the

Trassey

MINUTE.

Mr. AFB 23/2

Mr. Smith 24

Mr. Fiddes.

Mr. Just.

Mr. Cox.

Sir C. Lucas.

Col. Seely.

Mr. Harcourt.

Copy for Col. and Mr. Smith 9040