

DOMESTIC.

EAST AFR. PROT.



3992

C. O. 3992 REC'D FEB 3 1909

or Individual.

Mail No. 1.

L. Magadi Soda Scheme

1909

3 Feb.

Previous Paper.

490

Discuss in detail further proposals - outstanding points are (1) reduction of rates to 3/4% during first few years of Co. operations. (2) financing of the wharf & railway siding at Malindi. (3) Import duties. (4) Consent of Government. (5) Consent of I.O. to Indian labour. Suggest that these & minor matters be discussed with Gov. by a representative of Co.

Mr. Read

Please see letter from Colonel Villiers attached. Will you or Mr. Ellis come on Tuesday when they call?

T.P.V. 5/2

Antwerp. I shall be happy to attend a meeting. As the question of the rates seems to be the crux of the whole matter, I want over to the I.O. to ascertain ^{their views} unofficially what they are going to report that we shall not think that we can quote prices lower than those proposed by St. Louis. I think it is better to get the I.O. to say that they will not do this.

Tell Mr. Magadi... 10 Feb. 1909... 26 Feb 1909

be a considerable part of the total that we could not afford to do it. The I.O. we of course proceeded on the assumption that we do not desire to incur any loss, but, provided that we can get that big undertaking under way, I think that it would be worth our while to incur some loss for a comparatively short period. We should, I am sure, be amply compensated eventually.

We are offering $\frac{1}{2}$ per ton mile for Coal & Soda for a period of 5 years. The Syndicate ask us to reduce this to $\frac{3}{8}$.

The distance from Dombasa to Kild the junction with the Grand railway is 267 miles. Taking the average amount of Soda carried during the first 4 or 5 years as 160,000 the difference between the $\frac{1}{2}$ + $\frac{3}{8}$ rate will amount to $\frac{1}{8}$ per ton mile annually.

$$\left(\frac{4}{8} - \frac{3}{8}\right) \times 267 \times 160,000 \text{ pence}$$

$$= \frac{267 \times 160,000}{8 \times 12 \times 20} \text{ £}$$

$$= \frac{267,000}{12} \text{ £}$$

$$= 22,250 \text{ £}$$

Adding $\frac{1}{5}$ £ for the Coal (the quantity of coal to be carried is estimated at $\frac{1}{5}$ of the quantity of soda), = £4,490
 the total difference amounts to
 £26,740

But it is estimated that the $\frac{1}{2}$ rd rail
would yield a profit of about £14,600
(see 3rd para. of letter to I.O. on $\frac{1}{2}$ rd rail
47503)

so that the average annual loss during
the first 4 or 5 years would be

£26,740 - £14,600, or about

£12,000. This is not very

frightful & I think that we should
meet them (face the Treasury)

on the rates but so far as the
the period for which the special rates are
to be granted for 5 to 4 years.

With regard to the other points in the
letter.

Paragraph 2. I think that the Uganda

Railway should confine itself to
providing the waggons & break vans &
that it should do their full charge

- it being of course understood that

the branch railway disaffected comes
up to a standard approved by the Uganda
R^y and that the Co^y makes good all

injury to our rolling stock caused by
the negligence of their servants & compensation
only if the Uganda R^y officials (e.g. the
driver in charge of the break vans) who may
be required to do this way.

proposal 5. If we just have the reduced
series, I think that we should ask
them to let this drop entirely. They
clearly do not attach great importance to
it & we do not want to tie our hands
for the future more than we can help.

proposal 6. I think that the 6%
request is reasonable, except that I
should like to see some provision that
if the deposit remained unworked
for a long period (say 10 years), it
should revert to the parish fund.

proposal 7. I think that we should
try to meet them on this, & find
a middle term between the 20 acres
originally asked for & the 3 acres which
we have suggested. We should have
to consult the local authorities on this.
This could be done by tel.

proposal 8 & 9. I understand that, for a
comparatively small sum, we can turn
the new Wharf into a deep water
pier, & the accommodation which
the wharf provides would answer the
purpose. I think that we should do the
work ourselves.

proposal 14. I think that we should
ask for further exemptions for which
they are entitled. If we ought to
be able to exempt it, a provision
should be made in the bye-laws.

of a bill
if the
bill
may be
taken
success

£20,000
£30,000

& the whole thing must be submitted
to Lord Curzon & the Treasury for approval.

J.R. 457

6/2

A representative of this Company
are coming to see Col. Seely to-
morrow. I do not keep this to
go into the questions raised. With
regard to the last paragraph, the
report that a representative of the
Govt should be appointed to discuss
matters verbally with the company
is reasonable. But, in our opinion,
we are all in the same boat, it
is not an easy one to meet.

Col. Seely

J.R. 457

458

C. O. 3992
3 FEB 09

Shell House,
104/5, Bishopsgate St. Within,
LONDON, E. C.

3rd February, 1909.

Ref. No. 47505/1908.

479

To
The Under-Secretary of State,
Colonial Office,
Whitehall, S. W.

My Lord,

We have the honour to acknowledge receipt of your letter of the 27th ultimo, replying to our previous letters of October the 13th and January the 12th on the subject of our proposals of the 13th of October 1908 for the construction of a Railway to develop the Soda Deposit known as Lake Magadi.

We understand that subject to the approval of the Lords Commissioners of the Treasury, our Firm will be granted the right to construct, or form a Company to construct, such Railway as above mentioned from a suitable point on the Uganda Railway as set forth in the proposals of our letter of October the 13th, subject to certain exceptions and modifications.

Proposal 2. We derived the impression from what was said at an interview which we were granted at the Colonial Office last Summer with the object of discussing our proposals, that the Uganda Railway would desire to control the working of any Branch Line, as they would provide the locomotive power and sufficient rolling-stock, viz., waggons and brake-vans, for the carriage of the Soda to the Coast, and we came to the conclusion that the Uganda Railway would desire to lease from the proposed New Company the Branch Line which the latter would build.

We take it that if the Uganda Railway will provide the waggons and brake-vans only for the new line, while

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the locomotive power, maintenance and general working of the line will devolve upon the proposed new Company, the Uganda Railway will provide such rolling-stock free of charge so long as it runs over the Branch Line. To this our Firm are prepared to agree.

Proposal 3. In view of the fact that the area involved lies within a Native Reserve and that consequently the grant of a strip one mile in breadth on each side of the line presents considerable difficulty, we beg to withdraw this proposal with the proviso that we would ask your Lordship's consideration as to whether an undertaking could not be given to the proposed new Company that in the event of any change being made in the Native Reserve Regulations which would render the Government free to grant us the strips of land in question, they should be granted. And we would further suggest that it might be possible even now to grant to the proposed new Company certain strips which do not come within the Native Reserve.

Proposal 4. We would withdraw the request for the licence to cut wood.

Proposal 5. We understand that His Majesty's Government will meet us on the question of rates to the extent that they will grant a rate of $\frac{1}{2}$ d. per ton mile for Coal and Soda for a period of five years from the date of the completion of the Branch Line, and that they are making further enquiries as to whether it will be possible temporarily to reduce these rates in order to help the industry in its initial stages in accordance with our request. We would submit that we cannot at present see our way to work at the rate of $\frac{1}{2}$ d. per ton mile during the establishment of the business, and we confidently look to His Majesty's Government seeing their way to assist us in this respect.

Proposal 6. We understand that His Majesty's Government will undertake to extend the lease to 99 years and will agree that it shall be transferred from The East Africa Syndicate to the proposed new Company, but that they will require a guarantee that 100,000 tons of Soda per annum will be exported under penalties for non-performance.

We would respectfully submit that His Majesty's Government should not insist upon such an obligation, in view of our assumption that the proposed new Company is to be formed for the express purpose of exporting as much of the Lake Magadi Soda as it possibly can, either in Crude or Manufactured states, and that it proposes to apply to the undertaking such large sums of money as we have mentioned in previous correspondence. We would suggest that the application of so much Capital to the undertaking is sufficient guarantee that it will be seriously carried on to the utmost limit of its producing capacity, and we believe that within a very short period from the moment when the proposed new Company actively begins its operations, the latter will only be limited by the carrying capacity of the Uganda Railway. We should, however, be prepared to accept a proposal that the new Company should guarantee an average output of 50,000 tons per annum for the first five years after the completion of the Railway, provided no unforeseen obstacle not under the control of the new Company appeared to prevent this.

Proposal 7. We would submit that storage at Kilindini for 10,000 tons would be insufficient for the large business which it is proposed the new Company will conduct. It might, for example, be necessary to ship larger quantities of Soda or Soda Products at one period of the year than at another. It is quite probable that the new Company might have engagements compelling it to ship within the same fortnight

full cargoes to the United Kingdom, to Europe, to Ports in the East, and to America, and it would therefore be seriously hampered had it only storage room for 10,000 tons which would not be sufficient for two ordinary full cargoes.

Assuming that in the third or fourth year of the operations of the proposed Company the output reached 3/400,000 tons, it is obvious that if this quantity were shipped even in equal monthly quantities the storage accommodation would be insufficient. It is our opinion that the new Company should have storage room for 50,000 tons of Goods at Kilindini, especially having regard to their proposal to undertake to carry an average quantity of this amount per annum for a certain period over the whole line.

Proposals 8 & 9. We would add that it is highly important that the construction of the Wharf and Pier, and Railway Connection at Kilindini, should be completed not later than the Branch Line itself. It might even prove the best policy for the new Company were it empowered to do so - to complete these Works while the Branch Line was being finally surveyed, in order that greater facilities might be afforded for the landing and carriage of material for the new Railway and the Factories and various Plants which it is intended to erect, thus hurrying forward the completion of the whole. This would mean the provision of additional Capital by the proposed new Company.

It is, therefore, clearly of great urgency to the Company that an early decision be given as to whether the construction of these works will devolve upon it or upon His Majesty's Government.

Proposal 10. His Majesty's Government's undertaking is quite in accordance with our views, and most gratifying.

Proposal 11. While we will put it on record

that we consider the rate of id. per ton mile to carry material, etc., for the construction of the line a very high one, we appreciate the fact that His Majesty's Government is endeavouring to meet us, and we would - if called upon to do so - find means to make our arrangements on this basis.

Proposal 12. We are obliged for the statement that the India Office will be approached with a view to allowing Indian Labour for the construction of the line, as we are informed that some outside labour is essential.

Proposal 13. We are quite in accord that the Royalty should be paid in accordance with the terms of the lease, and are pleased to note that there are otherwise no Export Duties leviable upon the Soda or Soda Products.

Proposal 14. We would ask your Lordship to consider whether the exemption from the existing tariff of Coal and Material for the construction of Railways could not be extended to all Materials required for the building of the Furnaces, Plant and Works necessary to the Company, and to any Chemical Materials or other products which may be actually required for the manufacturing purposes of the proposed Company.

SUMMARY.

It appears that the important outstanding

points are:

(three-eighths of a penny)

1. The question of the reduction of the rates to 3/8d. during the first few years of the proposed Company's operations.
2. The question re the financing of the Pier, Wharf, and Rly. Siding at Kilindini which the new Company would undertake were His Majesty's Government not prepared to do so.
3. The question re Import Duties.
4. The consent of the Lords Commissioners of the Treasury to the above proposals; and
5. The consent of the India Office re Indian Labour.

In conclusion, we would finally submit to your Lordship's consideration the proposal that someone should be chosen representing the interests of His Majesty's Government and the Protectorate, and that we might be allowed to discuss verbally with such Representative the various outstanding points of divergence and the many minor details with which we have not deemed it necessary to trouble you. It is our belief that after such a meeting we should be able to submit to you definite and acceptable proposals which might form a basis for the terms of the Agreement which we presume must eventually be considered with His Majesty's Government's Solicitors. We are, moreover, anxious to bring about the speedy conclusion of our negotiations as otherwise we do not feel justified in incurring further expenditure, nor can we commence the necessary final surveys.

We have the honour to be, My Lord,
 Your obedient Servants,

M. Samuel Ho

~~Handwritten scribble~~



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11 Feb

DRAFT.

Telegram to
Sedler
Nairobi

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MINUTE.

Mr. Read. 11 Feb.

Mr.

Mr. Antrobus.

Mr. Cox.

Mr. Lucas.

Mr. Graham.

Sir M. Ommamney.

Mr. Churchill.

The Earl of Elgin.

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M. Besseth } 26 Feb 1892

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Sent 12:30 pm
15/2/09

DRAFT

Telegram to
Sadler
Nairobi.

Fallaste
10 February

MINUTE.

- Mr. Read. 10 Feb.
- Mr.
- Mr. Antrobus,
- Mr. Cox.
- Mr. Lucas.
- Mr. Graham.
- Sir M. Ommanney.
- Mr. Churchill.
- The Earl of Elgin.

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come on leave It

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possible the res

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of negotiations for

construction of railway

to Magadi.



Sent 12:30 pm
W.S.M.
10/2/09

DRAFT

Telegram to
Shepe.
Zomba

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MINUTE.

- Mr. Reed. 10 Feb.
- Mr.
- Mr. Antrobus.
- Mr. Cox.
- Mr. Lucas.
- Mr. Graham.
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- The Earl of Elgin.

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