

1932.

Kenya.

No. 18346.

SUBJECT

C0533/427

Estimates 1933.

Previous

Subsequent

3070/33

16
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Telegram from the High Commissioner for Transport Kenya and
Uganda Railways to the Secretary of State for the Colonies.
Dated 12th December. Received at 11-4am 12th December 1932.

No 31.

Can you give me indication as to when Gibbs Report will be
published. Maise industry here pressing Kenya Government for
subsidy and for decrease in railway rates. Publication of Gibbs
Report on railways would be of assistance in discussing this
problem.

20th Dec. 1938.

Sir V. Cecil Bettlesley, K.P.M.O., C.B., O.B.E.

fact that South Africa particularly has now again come into the market as a seller of Waive,

Yours faithfully,

Ally Hamilton

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WEST INDIES AND THE CARIBBEAN

RECEIVED
21 DEC 1932
COL. OFFICE

S. P. Holmes Place

London, E.C.3 20th Dec. 1932.

Sir W. Cecil Bontuanley, K.F.M.C., C.B., O.B.E.
Colonial Office,
Downing St., S.W.1.

Dear Sir,

I am taking the liberty of addressing this letter to you personally, for reasons which will appeal to you after the very friendly talk we had last Friday afternoon, your courtesy to me on that occasion being much appreciated.

*Recd 2/1
sent*

I now enclose copy of letter to me from the General Manager of the Kenya Farmers' Association, dated 30th November, with the original enclosures which were attached thereto. These latter might please be taken care of in your office, and returned, because obviously it would entail a great deal of labour to have these copied. I am also enclosing copy of official letter from the Association to us dated 3rd November, with the Railway notice attached, which latter we would also like sent back to us.

I am at your disposal for discussing this matter again after you have had it studied. You know, of course, my own personal attitude as expressed to you last Friday, and I need not go over that ground again.

I do hope that something can be evolved that will help the industry. Unfortunately, the circumstances seem to get worse in view of the World conditions, and the

Government concerned and not from the Railway Administration which is a joint concern.

I then ascertained that the amount of this subsidy for 1933 (with a 70,000 ton crop) would be in the neighbourhood of £42,000, and I had a meeting of Executive Council this morning when I laid the problem before them. The unanimous advice was that in the present state of the Colony's finances such a subsidy could not be justified.

The line Francis Scott and his followers are taking is that the unfortunate General Rhodes has some sinister motive and wishes to kill the Maize Industry. The reply that General Rhodes is merely doing his duty, that his costing figures have been carefully worked out by trained accountants and that the result has received the approval of Railway Council is of no avail. It is somewhat difficult to reason with these people but the nett result is that the Railway cannot on carrying at a loss and that the Colony cannot subsidise, so it is difficult to see a solution except to let the industry find its own level which I believe they will eventually do as there is a certain amount of bluff behind it all.

The demand now is that I should approach you and that you will order the railway to carry all the maize at the cheap rate desired! I am calling a Railway Council meeting in January to discuss the problem but I am sure Uganda will be adamant.

Turning now to the wheat industry. For the second year in succession (chiefly due to locusts) they are unable to supply anything like enough to meet East African requirements. Accordingly I have to approach you again (officially) asking permission to import foreign wheat duty free in order to maintain the few mills now operating and to keep in being the local

Now, I have had a immense amount of trouble with the maize and wheat farmers during the past few ¹² weeks. I recently had a deputation from the former when we thrashed the thing out. The upshot is that they threaten going out of production unless the ^{1a} Railway will carry all the maize offered and when offered at the flat rate of Sh.15/- a ton ("Z" rate). The Railway Council have advised me as High Commissioner that this cannot be done and that only a limited amount of this class of traffic can be carried at this losing rate. In agreement with Uganda the amount allotted was subdivided between cotton seed and maize, the latter getting a very fair share. All additional maize would be carried but only at a much higher and, I think, prohibitive rate. Uganda's argument is perfectly sound: they say that if either Colony wishes to subsidise an industry by granting non-paying rates on the railway, this subsidy should come from the

Government

the subject will therefore be
omitted.

The enclosures to your
letter are returned herewith
as requested.

Yours sincerely,

WALTER W. G. BOTTOMLEY.

C. O.

Mr. Priestman

Mr. Allen

Mr.

Mr. Parkinson

Mr. Tomlinson

Sir C. Bottomley

Sir J. Stuckburgh

Parli. U.S. of S.

Parly. U.S. of S.

Secretary of State

DRAFT. *Con*

A. HAMILTON, ESQ.

*PS
2*

18.41/2 Kenya

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0	3

210. for Mr. Hamilton

210 3 January, 1933.

Dear Mr. Hamilton,

Thank you for your letter

(1) of the 20th December on the subject of the maize industry in Kenya.

We are glad to have seen the views of the Kenya Farmers' Association, but the matter is primarily one for the Local Government

and we are aware that they have the question at present under

consideration as maize rates appear as an item on the agenda of a Railway

Council meeting to be held this month. We note that the memo.

dated the 24th November, 1932, has been presented to the Govt. of Kenya and the Governor's views on

10
making at the opening of Legislative Council on
Wednesday.

December, 15th.

I made my address in Council yesterday and I enclose a copy of it, together with a copy of the Leading Article in the "East Africa Standard". From what I can make out this frank statement has been well received.

The reference to Grogan was at the request of Francis Scott and the Elected members.

You will notice that two of the Indian non-co-operators have now taken their seats. This is all to the good as I am most anxious to get the Indians to help us, for they have very large interests in the country.

May I, Sir, offer you and Lady Cunliffe-Lister my best wishes for the New Year and may I thank you cordially for the help and support you have invariably given me since you became Secretary of State.

Yours sincerely,

(Sgd.) J.A.Byrne.

The Right Honourable,
Major Sir P.Cunliffe-Lister, P.C., G.B.E., M.C.
Secretary of State for the Colonies,
LONDON, SW.1.

meet East African requirements. Accordingly I have to approach you again (officially) asking permission to import foreign wheat duty free in order to maintain the few mills now operating and to keep in being the local markets. Do you wonder that I advocate caution over land or finance in any way connected with these crops? Please do not think I am opposed to additional funds being granted to the Land Bank. The granting, on good security, of long term credits to sound farmers is in a very way desirable and it would be well spent money. But to utilize the money towards assistance to new farmers who cannot possibly make good under existing conditions would, in my judgment, be unsound.

I do hope therefore that if any further loan to finance the Land Bank receives your approval you will clearly limit its application.

I entirely agree about Armitage-Smith's report: It is excellent and it is proving very useful to us with our similar problems. I am rather anxious, however, about his recommendations regarding Customs Import Duties (Chapter II para. 3 (1)). The repercussions will be serious if the Customs Union is tampered with and if local industries are jeopardised. However, I am sure that these points will receive your consideration.

I enclose a copy of a speech I made at the Caledonian Dinner. There are only two portions which I have marked which may possibly interest you: those dealing with Kakamega and with Ottawa.

I shall now suspend writing and continue on Friday in time to catch Saturday's Air Mail. I shall then be able to send you a copy of the address I am making

industry by granting non-paying rates on the railway. This subsidy should come from the Government concerned and not from the Railway Administration which is a Joint Concern.

I then ascertained that the amount of this subsidy for 1933 (with a 70,000 ton crop) would be in neighbourhood of £48,000, and I had a meeting of Executive Council this morning when I laid the problem before them. The unanimous advice was that in the present state of the Colony's finances such a subsidy would not be justified.

The line Francis Scott and his followers are taking is that the unfortunate General Rhodes has some sinister motive and wishes to kill the Maize industry. The reply that General Rhodes is merely doing his duty, that his costing figures have been carefully worked out by trained accountants and that the result has received the approval of Railway Council is of no avail. It is somewhat difficult to reason with these people but the nett result is that the Railway cannot go on carrying at a loss and that the Colony cannot subsidise, so it is difficult to see a solution except to let the industry find its own level which I believe they will eventually do as there is a certain amount of bluff behind it all.

The demand now is that I should approach you and that you will order the railway to carry all the maize at the cheap rate desired. I am calling a Railway Council meeting in January to discuss the problem but I am sure Uganda will be adamant.

Turning now to the wheat industry. For the second year in succession (chiefly due to locusts) they are unable to supply anything like enough to meet

of the 4th January.

If I might presume to do so I would suggest great caution over additional funds for the Land Bank and over the Government becoming involved in anyway in dealings with surplus or foreclosed land. We all want to help the Colony during these distressing times and there is no doubt whatever about encouraging the tourist traffic and the advent of Residential Settlers. It is a fine country for them and these pensioners and others with moderate means are a great asset. What I am terribly afraid of is an influx of any more maize and wheat farmers at least until the world prices become more stable. I anticipate that this agitation about sub-dividing or offloading land will be in respect of properties mainly suitable for such crops. I leave out Cattle farming, Dairying and Coffee planting which require capital and knowledge.

Now, I have had an immense amount of trouble with the maize and wheat farmers during the past few weeks. I recently had a deputation from the former when we thrashed the thing out. The upshot is that they threaten going out of production unless the Railway will carry all the maize offered and when offered at the flat rate of Sh.15/- a ton ("Z" rate). The Railway Council have advised me as High Commissioner that this cannot be done and that only a limited amount of this class of traffic can be carried at this losing rate. In agreement with Uganda the amount allotted was subdivided between cotton seed and maize, the latter getting a very fair share. All additional maize would be carried but only at a much higher and, I think, prohibitive rate. Uganda's argument is perfectly sound: they say that if either Colony wishes to subsidise an

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Copy
CONFIDENTIAL.

AIR MAIL.

Original on 18/12/32

3
GOVERNMENT HOUSE.

KENYA.

EAST AFRICA.

10th December, 1932.

Dear Sir Philip.

Very many thanks for your letter of the 24th November. It was kind of you to give me such a full account of your interviews with the delegation. I must say you were very patient with Proger who is an insufferable bore when he gets on the currency question: he never will leave it alone.

It was fortunate that you put me in possession of your views for this morning Lord Francis Scott and Captain Schwartze came to see me after having had a three hours interview with Captain Anderson. They said that they now understood you had promised to obtain for the Colony another £200,000 for the Land Bank. They wanted me to cable to you asking permission to make an announcement to this effect when I address Legislative Council on Wednesday. I informed them that my reading of the verbatim report did not confirm their information: it merely indicated that you were most sympathetic and intensely anxious to help and that you were seeing the Chancellor of the Exchequer on the subject. I agreed to having a meeting with them, Captain Anderson, and the three Superintendents of the Leading Banks on the understanding that it should be purely informal and non-committal. Owing to Legislative Council, Christmas and the New Year intervening I have fixed this meeting for the 5th January. If you have any special instructions or information to give me perhaps your Private Secretary would write to me by the Air Mail due to arrive at Nairobi on the afternoon

collapse, to the extent to which they in fact depend on these uneconomic rates. The real problem thereby gets pushed into the back-ground and an unstable position gradually gets built up which involves dislocation in its correction, and a drain on the resources of the Govt: so long as it continues. I think the Govt: puts the issue very well and very clearly in his letter to the S/S. If "maize" is uneconomic for Kenya, the sooner it "goes" the better, for all concerned.

The 28-2-33.

W. H. H. H.
28/2/33
Mr. Hood.

You have not yet seen the dates. Will you please send them on to Sir S. Wilson with any information (I know of none) as to the result of the January meeting of the Railway Council?

We shall have heard for that - for news of any Railway talk at the Governors' Conference.

But the issue seems plain from the Railway point of view: the Colony has to consider the side advantages of maintaining employment, with the benefit of transit and industry together, which undoubtedly, as the approval of the Maize subsidy in 1930. I see no reason to think the Governor has

x 1a

The attached extract from Sir J. Byrom's letter to Sir S. of Dec. 10th throws much light on the dark places of this correspondence.

It may help Mr. Hamilton to know that the question of maize rates is on the agenda of a Railway Council meeting in January. Otherwise? reply as proposed.

B. Weston
CB/11.

Yes. Reply as proposed. When we have the bill what we shall do should like Sir J. Campbell to see.

W.S.
31.12.32

2 To A. Hamilton No 31/1/33
(and rem. sent)

(Hamilton noted)

3. Sir J. Byrom (Conf.) New Year 10 Dec 32
Stable maize farmers have threatened to go out of production unless they carry all maize at 5s. 15/- a ton, but is of the opinion subsidy involved cannot be justified.
(Originator 18198/32. copy attached).

I have read the paper with much interest. It seems to me that Mr. Gibb's view is sound, and that they will have to be allocated as between main lines and branch almost certain to break down. I see how it can be justified. The total quota decided upon should be shared as among the individuals. The freight facilities. I should like to see, introduce so as to be a programme of each individual. It will be impracticable. The only sound method seems to be suggested:--to control the rates. Behind all this immediate course, the bigger issue by Mr. Gibb in para. A. rate that is uneconomical, in the sense that it involves the railway in recurring loss, and the maintenance. Sooner or later, it will have to go--for the maintenance will clearly break down freight rates generally. Even if the railway could afford which it cannot--it would lead to the formation of similar demands by others, which it would be difficult logically to resist. And the result would be an unconcealed subsidy from the Govt:--which cannot afford it either, and which by granting such a subsidy would open the way to demands from others for similar subsidies, again difficult to resist on any logical ground. It comes to this:--uneconomic freight rates unbalance the economy of the country; they tend to lead to the establishment or the extension of activities which must finally

bag was charged for the transport of maize from any mainland station to the port, the Government refunding to the Railway any loss caused by this concession. (This proposal also involves the movement of maize in the Peak period).

- (b) Reduction of wharfage charges.
- (c) Subsidy by the Government to permit the resumption of the flat rate of 1/- a bag mentioned in (a).

(a) is directed against the General Manager's policy as outlined in para. 225-228 of his Annual Report for 1931, i.e. that the movement of maize at the lowest rates should be under Non-Peak conditions.

The Gibb Report, para. 63 and 67, is, however, much more drastic than the General Manager's, as Mr. Gibb suggests

- (i) preference in Peak charges for cotton to the detriment of maize;
- (ii) regulation not by ^{quota} ~~quality~~, but by increase, if necessary, of the current rates on maize;

For this reason, the High Commissioner is anxious for the early publication of the Gibb Report, see his telegram of the 12th December where he indicates that publication would be of assistance in discussing the problem of subsidy and reduction in rates.

- (b) As regards this, the Gibb Report, par. 127, contemplates no reduction in Harbour dues or charges, but even envisages an increase.
- (c) The subsidy then remains which can hardly

be

be dealt with apart from consideration of the position of other agricultural industries, e.g. steel and wheat.

The remaining enclosures are covered by the Gibb Report, save a portion of (i, iv and v). In so far as (i) deals with the question of haulage cost, this is primarily a question for the General Manager, but in this connection page 61 of the 1930 Annual Railway Report is of interest, where he points out that into the definition of the cost enters the question of bringing up empty trucks and waggons from the coast to carry the maize down, and giving the actual out-of-pocket cost for maize. (*Plan 5-5 cents per ton mile*)

(iv) and (v). (iv) entirely misstates the position as regards the assistance given by the Government in 1930 as can be seen from par. 6 of (i) in 17126/31. In (v), the Conference lines only agree to reduction of freight on condition that the Railway and Harbours make some reduction.

There appears to be nothing in this correspondence which requires consideration here at present, and there seems also no reason for suggesting that Sir C. Bottomley should discuss the matter with Mr. Hamilton.

? Acknowledge the letter with thanks, returning the enclosures as requested, and say that we are glad to have seen the views of the Association, but that the matter is primarily one for the local Government, which the S. of S. is aware has the question at present under consideration, and add that as the Government have received the memorandum, it is proposed to await the Governor's views.

H. S. Smith

23rd Dec., 1932

bag was charged for the transport of maize from any mainland station to the port, the Government refunding to the Railway any loss caused by this concession. (This proposal also involves the movement of maize in the Peak period).

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1 of A. Hamilton 5/10 _____ 20 Dec 32.
Encls. copy of a letter from Kenya Farmers Association
regarding the position of the maize industry. State will
be available for further discussion unless something can be
induced that will help the industry

The documents enclosed with (1) comprise:-

- (i) A letter from the Kenya Farmers Association of the 20th November;
- (ii) A memorandum submitted by that Association to the Government of Kenya;
- (iii) The allocation of tonnage by the Railway to low rated commodities for the season 1932-3;
- (iv) A letter of the 20th October from the Conference Lines to the Director of Agriculture;
- (v) Letter of the 26th November from the Conference Lines to the Farmers Association;
- (vi) Letter from the Association to the Railway stating their tonnage requirements in 1933;
- (vii) Letter from the Association of the 2nd Novr. enclosing copy of a railway notice regarding Non-Peak Traffic scheme for maize.

(ii) is of importance in that it shows the viewpoint of the maize producers. A copy will, presumably, be forwarded in due course by the Governor if he takes seriously the representations now made which suggest (a) revision downwards of railway rates in accordance with the policy of the Bowring Committee adopted in 1922 of framing Railway rates to stimulate production for export whereby a flat rate of 1/- a

bag