

1926

KENYA

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X. 2889

DATE

25th February 1926

24 MAR 1926

REGULATION

Port Commission of Inquiry

U.S. of S.

100 20 copies of Report

U.S. of S.

U.S. of S.

U.S. of S.

Previous Paper

MINUTES on 25/2/26

25/2/26

COL 583 346

Subsequent Paper

100 3229



IMPERIAL SHIPPING COMMITTEE.

Telephone
R. F. FENNELLY, Victoria 3840

NEW PUBLIC OFFICES,

GREAT GEORGE STREET,

LONDON, S.W.1.

Telegrams: Fennelly, Boneblack, London.

RECEIVED
12 APR 1926
COLT OFFICE

12th April, 1926.

Sir,

I am desired by the Imperial Shipping Committee to acknowledge the receipt of your letter of the 29th March, enclosing copies of the Report issued by the Commission appointed to enquire into the control and working of the ports of Kilindini and Mombasa, and to state, for the information of Mr. Secretary Amery, that they hope to be in a position to furnish him with their observations on this Report at an early date.

I am, Sir,

Your obedient servant,

R. D. Fennelly
Secretary.

Handwritten notes:
Handwritten
in view
Madam
John

Under Secretary of State,
Colonial Office,
S.W.1.

Handwritten notes:
13/4
25x

Downing Street,

29 March, 1926,

X.2889/26.

Sir,

I am directed by Mr. Secretary Amery to transmit to you, to be laid before the Imperial Shipping Committee, the accompanying copies of the Report issued by the Commission appointed to enquire into the control and working of the Ports of Kilindini and Mombasa, and to request you to inform the Committee that Mr. Amery would be glad to receive their observations on the Report at the earliest possible date.

I am to request that you will in due course return as many copies of the Report as you conveniently can.

I am, Sir,

Your most obedient servant,

(Signed)

SECRETARY,
IMPERIAL SHIPPING COMMITTEE,
BOARD OF TRADE.

Cliff 25 iii 26.
Jeffries 28/3
Bottomley 26/6

- J. Hastings
- St.ickey
- St. Edinburgh
- Uganda
- Uganda
- Wilson
- Uganda Gate
- Uganda
- Uganda

DRAFT.

Secretary
and Shipping Committee
and of Trade
George SG

S.W.

of Report

29 March 1926

See

I am so to transmit
to you, to the said
before the ^(Shipping) ~~Uganda~~
Committee the accompanying
copies of the report issued
by the Commission
appointed to inquire into
the control and working
of the Ports of Kilindini
& Mombasa, and to
submit a report thereon to you

VCS.

REFUGEE
COURT
E. 11024/22/8/4
WEST



THE SECRETARIAT,
NAIROBI,
EAST AFRICA PROTECTORATE.

X. 2839
24 MAR 1926

The Acting Colonial Secretary, Kenya Colony,
presents his compliments to the Under Secretary
of State for the Colonies, and begs to transmit
herewith 20 copies of the Report of the Port
Commission of Inquiry.

to P. N. 1/1

25th February, 1926.

to which they would be prepared to entrust the handling of cargo on shore. They are strongly opposed to the railway carrying on this work.

4. As regards the Port authority, the Imperial Shipping Committee agree that it should be a Government organisation supported by a purely Advisory Board, and as a temporary measure they agree to Mr. Jelling being in control under the Governor of Kenya. They consider that the Advisory Board should have the right of appeal to the Governor.

We can accept the Committee's view without hearing the Conference on this point.

The Committee recommend that in cases of dispute time must be allowed for reference to London principals. This is, unfortunately, unavoidable; we are continually having cases where principals here, while prepared to accept fully their local managers' complaints against the Government, will never regard them as plenipotentiaries. But we can demand that the reference should usually be by telegram, and that the London principals shall not have the power to transfer the scene of negotiation to London.

5. The handling of cargo ashore. The Imperial Shipping Committee support the Port Commission in the view that the Port Manager should do all this work, either directly or through the contractors. We can regard this as settled, although it will not please the Companies. As a matter of fact, the control is to be separate

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the railway organisation, although under Mr. Felling; and apart from this, the present arrangement under which the shipping interests are in control of this work has only existed as a temporary arrangement since 1921, when it was started in view of the failure of the railway administration, as it then existed, to carry out the work effectually.

The first thing to be done is for the Government to give notice of the termination of the 1921 arrangement.

6. General Harbour control (Pilotage etc.).

There is no quarrel on this question; the work will rest with the Port Manager.

7. Control of Berthing. The Imperial Shipping Committee's view that the deep-water wharf and lighterage must be allowed to compete means that the Port Manager will have, in general, no power to direct one steamer to go alongside and another to lie out in the anchorage.

The final report is vaguer on this point than the draft report which we saw. That gave room for the idea that if the lighter wharves were congested a ship might be ordered alongside. But the second footnote to page 15 of the Report shows that the solution of congestion at the lighter wharves is to be that the lighters are to make use of the deep water wharves when there is room.

This means that unless the deep water wharf charges are to be fixed low, without regard to debt charges, the "free competition" will be weighted against the deep water wharf. Its costs of management, and largely of labour also, will go on whether there are steamers alongside or not. The point concerns the question of finance, (see below).

8. Control of Lighterage. The Imperial Shipping Committee are definitely against the lighterage being under, or under contract with, the Port Manager, and such an arrangement is certainly contrary to the principle of competition. We know that the Companies would strongly object: we cannot expect that any tender for a contract would be received unless on extravagantly high terms rigged between the two lighterage companies. For the Government to start separate lighterage would increase capital costs, but it is possible that the Government may ultimately be driven to this solution.

It would, in any case, have been a strong measure to turn the lighterage companies out of independent business. The Port Commission, in effect, proposed that the two companies should compete in offering a tender, which each would make as low as possible, in order not to be the one to be extinguished altogether. This course could only be justified on the grounds of the prime importance of the interests of the traffic, and the Imperial Shipping Committee's Report is hopelessly against such a contention. Also, as indicated above, the Port Commission's proposal ignores the certainty of concerted action between the two lighterage companies.

I think, therefore, that it is not possible for the Secretary of State to back the Colonial Government on this point. That conclusion obviously increases the difficulty under paragraph 7 above as to berthing; for example, if the African Wharfrage Company which is owned by the Union Castle and British India

lines

lines is to continue in independent working, how can we say that a Union Castle or British India steamer must come alongside at a deep water wharf if there is berth vacant?

9. Charges. Sir G. Grindle's note on what the Imperial Shipping Committee actually had in mind is attached. In what follows I do not touch the charges on ships, which are relatively unimportant. It will be noticed that the view recorded in the note that the "passing over" charge at the deep water wharves should cover their capital charges is inconsistent with the Report itself.

If the Port Commission's views on the working of lighterage are dropped, their scales of charges drop also; the independent lighterage companies will fix their own charges for lighterage. The Port Authority will only be concerned (apart from the general dues such as light and pilotage) with (a) the charge for handling on land, and (b) the "passing over" charge at the wharf edge.

10. It is convenient (but not quite so obvious as the Committee make out in paragraph 29) that the former should be the same at all wharves. The ease of handling need not be the same, and the ease of railway working will almost certainly vary and will tend to be greater at the deep water wharves, where the facilities furnished are admittedly excellent.

11. Accepting the principle of uniformity under (a) - the Port handling charge - it could be laid down that the railway is free to charge a terminal at each wharf, the amount of which, in case of dispute, is to

be discussed between the Port Advisory Board and the inter-Colonial Railway Council, the final decision resting in the hands of the Governor - High Commissioner.

12. The "passing over" charge (b) is more important. In the first place, while this "passing over" charge is clearly intended to be levied by the Port Authority for moving the goods from ship or lighter on to the wharf (or vice versa), the Committee, at the end of paragraph 32, assume that the Shipping Companies will not charge a differential rate as between goods put from the ship on to the deep water wharf or into the lighter (or vice versa). With regard to this ship's "Passing over" charge, it would appear that the use of the ship's gear would be less at the deep water wharf than with the lighter, and that there would be a case for this charge being lower for the deep water wharf than with the lighter.

Secondly, the Committee's views on the Port Authority's "passing over" charge at the deep water wharf depend entirely on the lighterage charge being a fixed constant, and, unless it is fixed, free competition will become cut-throat competition.

Thirdly, we have to be sure that there is no way in which the Shipping Companies can rig the ocean freight itself, so as to favour the lighter.

But on these preliminary points, we cannot expect the Shipping and Lighterage Companies to bind themselves unless the Government is also bound i.e. the Port Authority "passing over" charge, or at least the differential at the deep water wharf, would have to be fixed for a term of years.

13. Fourthly, the Committee consider that the difference between the Port Authority "passing over" charge at deep water wharf and lighter wharf should strictly be assessed so as to allow for the extra capital costs of the former, but they recognise that this would mean high charges on the traffic, and that it would prejudice the deep water wharf as against the lighter. That is, they abandon free competition on an economic basis, and consider in what way the deep water wharf shall be bolstered up at government expense. They recommend all or any of the following:-

- (i) To carry the debt charges on berths 1 and 2 as well as on berths 3 and 4, if constructed, on capital account for a short period of years;
- (ii) to subsidise the deep water wharf from general colonial revenue, not railway revenue.
- (iii) to endow the Port with lands already returning an appreciable revenue.

This involves the general question of finance, but I may point out here that

- (i) is sheer extravagance, as it means that in, say, 3 years, the cost of these two berths would go up from £1,300,000 to more than £1,600,000, and that the problem to be faced at the end of the time would be more difficult than now. By then, one of three things will have happened. The deep water wharves may be successful, and we shall have much more expenditure to face for further wharves. Lighterage may have triumphed, and we should have a greater dead loss. Or the question

question as between the two may still be undecided, and we should, I suppose, go on borrowing to pay interest during a further term. The interest on these wharves has already been found out of capital for the first three years of the life of the £5,000,000 loan, with the result that the charges for interest and sinking fund are now about 8 per cent on the cost.

(ii) and (iii) are really the same thing, and the colony's revenues have little available surplus for this kind of thing.

(iii) Land already producing substantial rent would take some finding. As regards new land, it could only be taken up gradually, and low rents would certainly be expected in order to stimulate development. We bought the M'baraki estate as a good investment for this sort of development, but we did not expect that land to do much more than cover the charges on its own cost.

14. Finance In the long run the goods must bear the burden of the debt charges, and it seems to me that, until the Port has established itself, the burden should be shared by all the goods, Uganda's as well as Kenya's. This can be done either by a railway subvention (which would not really affect the separateness of the railway finances, as the Committee suggests), or by putting some of the burden on to the "passing over" charges at the lighter wharves.

I see no other way in which we can be sure of covering capital charges, for the simple reason that

we do not know how much the differential, whatever it is per ton, will bring in for a quite unknown number of tons handled at the deep water wharves.

A railway subvention to Kenya can be justified on the economic ground that the railway, by borrowing its money through Kenya's agency, has got it more cheaply than it could for itself. Under the reformed Indian arrangements the State railways make a contribution to general revenue of 1 per cent of capital, with various additions depending on net profits. The latter are more doubtful, not only on general grounds, but also from our own point of view, since (a) there would be some conflict with the Order in Council and (b) the question of Uganda would arise.

Strictly, of course, a contribution in respect of capital should be fixed, but in this case it is better that the port charges should be known and the railway contribution be allowed to fluctuate.

15. We have to meet at some time or other

(a) charges on berths 1 and 2, say	104,000
(b) charges on berths 3 and 4, if constructed, say	36,000
(c) charges on the cost of the Mbaraki estate, say	23,500
(d) maintenance and working of all wharves, say	<u>30,000</u>
	<u>£193,500</u>

Notes on the above.

(a) Or £130,000 if three years' charges are set to capital. This should not be contemplated.

(b) Or £42,000 if three years' charges are set to capital. There is more justification for this,

but

but I think it also should be ruled out.

(c) We draw £12,000 a year rent from the M'baraki wharf, but we may have to rebuild the wharf.

(d) This is taken from the expenditure estimate for "Other Charges" on page 20 of the Port Commission's Report, with the modification that instead of "Lighterage etc. £50,000," I have allowed £11,000 for the "etc." and cut out £39,000 for the lighterage.

16. The revenue is now absolutely vague beyond the £18,000 for Port Dues etc., and we have to build up £175,000 or so out of:-

(i)-a basic "passing over" charge common to all wharves. This may, for illustration, be taken at the present crantage rate, giving £45,000

(ii) the differential at the deep water wharf.

If we put this at the same as the charge for lighterage we shall have got as near as we can to free competition. That is, there will be no competition in rates, but merely in facilities. On the basis of the present lighterage rates, and assuming the traffic to be equally divided between deep water wharf and lighterage, we should get, on imports say £38,000, and on exports say £29,000. 87,000

(iii) Rents of Land (unknown)

(iv) A surcharge on (i) at a reasonable figure, revisable only after three years or so at six months' notice

(v) Railway subvention to make, with (iii) and (iv)

-43,000
Total £175,000

That is my idea of what is involved. It is all very sketchy, and depends entirely on our getting the half of the traffic.

17. M'baraki wharf. Here we are in trouble over the need for rebuilding. The local Government have repudiated the liability, while the African Wharfrage Company, who are the tenants of the wharf, also repudiate the liability, and certainly cannot be expected to rebuild unless they have a definite lease for a term of years and are sure of being allowed to carry on their business.

Possibly a general settlement of the whole Port question may help us with this problem. If there is to be free competition, and lighterage is to have a fair chance, there is no point in trying to freeze the African Wharfrage Company out of M'baraki. Therefore, we could offer a long lease, say for 21 years, on the understanding that they would be responsible for putting the wharf in order and keeping it so, the rent being fixed by agreement at a lower figure, say £9,000 a year, the reduction of £3,000 going to assist the Company towards the cost of putting the wharf in order. If they do not like this suggestion, they had better go to law on the question as it now stands, but, as a matter of fact, if the local Government find that they cannot take control of the lighterage, they may be willing to face the cost of putting the wharf in order, with the prospect of having the African Wharfrage Coy. as permanent lessees at a substantial rent.

18. International Position. When the report of the Port Commission was received there seemed to be

a danger of protest by the French Government, under their Zanzibar Treaty of 1844, against high port rates being imposed by the Government. This danger will be materially reduced if the Port is not made a Government monopoly and if the principal charge at the Government deep water wharves is fixed according to the commercial rate for lighterage services.

19. Conclusions. AS I have indicated above, I do not think that we can put up a case against the general views of the Imperial Shipping Committee, although I think that they are weighted by tenderness for the steamship interest, and that the bogey of the lines deserting Kilindini in favour of Tanga or Dar-es-Salaam is absurd.

In order to make the best of what Kenya will certainly regard as a bad job, I suggest that the line of settlement should be as follows:-

(i) The Port Authority to consist of a Port Manager, who would be under Mr. Felling and the Government of Kenya, with an Advisory Board constituted as the Port Commission proposed. The Port Manager to run the Port generally, but not lighterage.

(ii) Control of berthing to be limited to the avoidance of congestion, either in the anchorage or at the lighter wharves. The idea that, when the latter are congested, lighters should go to the deep water wharf seems to be wasteful, and it seems entirely contrary to the principle of free competition between the two systems that facilities designed

for the one system should be available for the other. When the lighter wharves are congested the next ship should be sent to a deep water wharf, if there is a berth vacant.

(iii) All shore handling to be under the Port authority at a charge representing the cost of the service rendered. This charge will be a matter of contract price if the work is let out.

(iv) The Railway to be allowed to charge a terminal if one wharf is less convenient for them than another. The amount to be settled by agreement.

(v) A flat basic rate of "passing over" charge at all wharves - not necessarily the same for all kinds of goods. This charge would, admittedly, include a certain amount as a contribution towards the capital charges on the Port's burdens generally, but it would be open to revision in three years, in the light of experience as to the extent to which this contribution is necessary.

(vi) A differential at the deep water wharves to be fixed by agreement with the Lighterage Companies so as to equalise the charges on goods of the same description served by the two routes.

(vii) Land to be reserved, and rents to accrue, to the Port Authority.

(viii) The annual deficiency on the Port Authority's accounts to be met from a railway subvention

(ix) Berths 3 and 4 should not be proceeded with for a year, when the position can be re-examined in the light of our experience of the use of berths 1 and 2.

(x) Proposals for a settlement of the M'baraki wharf dispute to be put to the Companies concerned on the basis of a lease for a term of years, after consultation with the Governor as to whether the Port Authority should reconstruct the wharf and the rent remain at £12,000 or the rent be reduced and the Company be required to reconstruct. In either event, the Company should definitely be liable for all work required for the future maintenance of the wharf.

20. Action. As I have indicated at the beginning of this memorandum, it will be necessary to consult Mr. Denham in the first place, then to obtain the Governor's concurrence, and then to tell the Steamship Companies what we have decided, and, at the same time, to write to Lord Inchcape on the question of M'baraki. Mr. Denham should have a copy of Sir G. Grindle's typewritten note.

6/2/28

The Imperial Shipping Committee propose

1. An anchorage due on tonnage on all ships using the port. This is a harbour due payable by all ships, whether moored, anchored in midstream, or brought alongside wharf.

2. A berthing charge on the ship on tonnage for berthing alongside deep water wharves

(2) is an addition to (1). Ships berthing alongside pay both 1 and 2. Ships lying out in the harbour pay (1) only.

3. A "passing over" (or "wharfage") charge on all goods landed on the wharves - in reality a payment for the privilege of crossing the wharf. This passingover charge to be high for deep water wharves and lower for lighter wharves, or rather goods landed from lighters. If by chance a deep water wharf is vacant and a lighter goes there instead of going to lighter wharf, the goods landed from that lighter will only pay the lighter wharf "passing over" charge. The lighter only goes there for the convenience of the port and will always give way to a ship.

This charge is levied according to the class of goods. There would be no objection to a moderate constant ^{both} for/deep water and lighter wharf charges in addition to the class rate provided the constant is moderate and not so large as to destroy the competition between lighter and wharf by subsidising the wharf at the expense of the lighter.

The deep water wharf and passing over charge to be

such as to cover the cost of interest sinking fund etc. on the cost of building the deep water wharf. The lower lighterage wharf "passing over" ^{charge} to cover the cost of interest, sinking fund etc. on the cost of building the lighterage wharf.

4. A "Handling charge" for all goods however landed whether from the ship on to a deep water wharf or from a lighter on to a lighter wharf or a deep water wharf.

This charge is meant to cover services rendered, such as warehousing, sorting, use of cranes etc. This charge to be the same for all goods according to the class of goods, i.e. the same for all kinds of coal and all pianos but not necessarily the same for pianos as for coal;

KILINDINI HARBOUR.

1. Mr. Ormsby-Gore has desired me to put together a statement of the position and, if possible, proposals for the solution of the problem. The full effect of the Imperial Shipping Committee's Report can, however, only be gauged locally, and, if my memorandum is accepted, as a basis for considering the matter, I suggest that we should first consult Mr. Denham on it, and then refer out to the Governor for his consideration. A copy of the Report will go to Sir E. Grigg by first mail, in the form of a proof of the White Paper.

2. The Schuster Committee's Report (Cmd. 2761) recommended that we should wait for the reports of the Imperial Shipping Committee and Mr. Mitchell and then consider whether to proceed with (a) berths 3-6 or (b) berths 3 and 4 plus lighterage facilities, i.e. they do not contemplate our not going on with berths 3 and 4. The Imperial Shipping Committee, however, while leaving the matter open, evidently think that it would be better to await developments before constructing these two new berths.

3. The letter from the East African Steamship Conference chiefly deals with the Government Notice that invitations to tender for the lighterage service under the Port authority would shortly be issued. They also, however, recommend that the Port Authority should be an executive board with a commercial and shipping majority to

to which they would be prepared to entrust the handling of cargo on shore. They are strongly opposed to the railway carrying on this work.

4. As regards the Port authority, the Imperial Shipping Committee agree that it should be a Government organization supported by a purely Advisory Board, and as a temporary measure they agree to Mr. Felling being in control under the Governor of Kenya. They consider that the Advisory Board should have the right of appeal to the Governor.

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It would, in any case, have been a strong measure to turn the lighterage companies out of independent business. The Port Commission, in effect, proposed that the two companies should compete in offering a tender, which each would make as low as possible, in order not to be the one to be extinguished altogether. This course could only be justified on the grounds of the prime importance of the interests of the traffic, and the Imperial Shipping Committee's Report is hopelessly against such a contention. Also, as indicated above, the Port Commission's proposal ignores the certainty of concerted action between the two lighterage companies.

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 - (iii) to endow the Port with lands already returning an appreciable revenue.

This involves the general question of finance, but I may point out here that

- (1) is sheer extravagance, as it means that in, say, 3 years, the cost of these two berths would go up from £1,300,000 to more than £1,600,000, and that the problem to be faced at the end of the time would be more difficult than now. By then, one of three things will have happened. The deep water wharves may be successful, and we shall have much more expenditure to face for further wharves. Lighterage may have triumphed, and we should have a greater dead loss. Or the

question

question as between the two may still be undecided, and we should, I suppose, go on borrowing to pay interest during a further term. The interest on these wharves has already been found out of capital for the first three years of the life of the 25,000,000 loan, with the result that the charges for interest and sinking fund are now about 8 per cent on the cost.

(ii) and (iii) are really the same thing, and the colony's revenues have little available surplus for this kind of thing.

(iii) Land already producing substantial rent would take some finding. As regards new land, it could only be taken up gradually, and low rents would certainly be expected in order to stimulate development. We bought the M'baraki estate as a good investment for this sort of development, but we did not expect that land to do much more than cover the charges on its own cost.

14. Finance In the long run the goods must bear the burden of the debt charges, and it seems to me that, until the Port has established itself, the burden should be shared by all the goods, Uganda's as well as Kenya's. This can be done either by a railway subvention (which would not really affect the separateness of the railway finances, as the Committee suggests), or by putting some of the burden on to the "passing over" charges at the lighter wharves.

I see no other way in which we can be sure of covering capital charges, for the simple reason that

we do not know how much the differential, whatever it is per ton, will bring in for a quite unknown number of tons handled at the deep water wharves.

A railway subvention to Kenya can be justified on the economic ground that the railway, by borrowing its money through Kenya's agency, has got it more cheaply than it could for itself. Under the reformed Indian arrangements the State railways make a contribution to general revenue of 1 per cent of capital, with various additions depending on net profits. The latter are more doubtful, not only on general grounds, but also from our own point of view, since (a) there would be some conflict with the Order in Council and (b) the question of Uganda would arise.

Strictly, of course, a contribution in respect of capital should be fixed, but in this case it is better that the port charges should be known and the railway contribution be allowed to fluctuate.

15. We have to meet at some time or other

(a) charges on berths 1 and 2, say	104,000
(b) charges on berths 3 and 4, if constructed, say	36,000
(c) charges on the cost of the Mbaraki estate, say	23,500
(d) maintenance and working of all wharves, say	30,000

£193,500

Notes on the above.

(a) Or £130,000 if three years' charges are set to capital. This should not be contemplated.

(b) Or £42,000 if three years' charges are set to capital. There is more justification for this,

but

but I think it also should be ruled out.

(c) We draw £12,000 a year rent from the M'baraki wharf, but we may have to rebuild the wharf.

(d) This is taken from the expenditure estimate for "Other Charges" on page 20 of the Port Commission's Report, with the modification that instead of "Lighterage etc. £50,000," I have allowed £11,000 for the "etc." and cut out £39,000 for the lighterage.

16. The revenue is now absolutely vague beyond the £18,000 for Port Dues etc., and we have to build up £175,000 or so out of:-

(1)-a basic "passing over" charge common to all wharves. This may, for illustration, be taken at the present crantage rate, giving £245,000

(ii) the differential at the deep water wharf.

If we put this at the same as the charge for lighterage we shall have got as near as we can to free competition. That is, there will be no competition in rates, but merely in facilities. On the basis of the present lighterage rates, and assuming the traffic to be equally divided between deep water wharf and lighterage, we should get, on imports say £58,000, and on exports say £29,000. 87,000

(iii) Rents of Land (unknown)

(iv) A surcharge on (i) at a reasonable figure, revisable only after three years or so at six months' notice

(v) Railway subvention to make, with (iii) and (iv)

43,000
Total £175,000

That is my idea of what is involved. It is all very sketchy, and depends entirely on our getting the half of the traffic.

17. M'baraki wharf. Here we are in trouble over the need for rebuilding. The local Government have repudiated the liability, while the African Wharfrage Company, who are the tenants of the wharf, also repudiate the liability, and certainly cannot be expected to rebuild unless they have a definite lease for a term of years and are sure of being allowed to carry on their business.

Possibly a general settlement of the whole Port question may help us with this problem. If there is to be free competition, and lighterage is to have a fair chance, there is no point in trying to freeze the African Wharfrage Company out of M'baraki. Therefore, we could offer a long lease, say for 21 years, on the understanding that they would be responsible for putting the wharf in order and keeping it so, the rent being fixed by agreement at a lower figure, say £9,000 a year, the reduction of £3,000 going to assist the Company towards the cost of putting the wharf in order. If they do not like this suggestion, they had better go to law on the question as it now stands, but, as a matter of fact, if the local Government find that they cannot take control of the lighterage, they may be willing to face the cost of putting the wharf in order, with the prospect of having the African Wharfrage Coy. as permanent lessees at a substantial rent.

18. International Position. When the report of the Port Commission was received there seemed to be

a danger of protest by the French Government, under their Zanzibar Treaty of 1844, against high port rates being imposed by the Government. This danger will be materially reduced if the Port is not made a Government monopoly and if the principal charge at the Government deep water wharves is fixed according to the commercial rate for lighterage services.

19. Conclusions. As I have indicated above, I do not think that we can put up a case against the general views of the Imperial Shipping Committee, although I think that they are weighted by tenderness for the steamship interest, and that the bogey of the lines deserting Kilindini in favour of Tanga or Dar-es-Salaam is absurd.

In order to make the best of what Kenya will certainly regard as a bad job, I suggest that the line of settlement should be as follows:-

(i) The Port Authority to consist of a Port Manager, who would be under Mr. Felling and the Government of Kenya, with an Advisory Board constituted as the Port Commission proposed. The Port Manager to run the Port generally, but not lighterage.

(ii) Control of berthing to be limited to the avoidance of congestion, either in the anchorage or at the lighter wharves. The idea that, when the latter are congested, lighters should go to the deep water wharf seems to be wasteful, and it seems entirely contrary to the principle of free competition between the two systems that facilities designed

for

for the one system should be available for the other. When the lighter wharves are congested the next ship should be sent to a deep water wharf, if there is a berth vacant.

(iii) All shore handling to be under the Port authority at a charge representing the cost of the service rendered. This charge will be a matter of contract price if the work is let out.

(iv) The Railway to be allowed to charge a terminal if one wharf is less convenient for them than another. The amount to be settled by agreement.

(v) A flat basic rate of "passing over" charge at all wharves - not necessarily the same for all kinds of goods. This charge would, admittedly, include a certain amount as a contribution towards the capital charges on the Port's burdens generally, but it would be open to revision in three years, in the light of experience as to the extent to which this contribution is necessary.

(vi) A differential at the deep water wharves to be fixed by agreement with the Lighterage Companies so as to equalise the charges on goods of the same description served by the two routes.

(vii) Land to be reserved, and rents to accrue, to the Port Authority.

(viii) The annual deficiency on the Port Authority's accounts to be met from a railway subvention

(ix) Berths 3 and 4 should not be proceeded with for a year, when the position can be re-assessed in the light of our experience of the use of berths 1 and

(x) Proposals for a settlement of the M'baraki wharf dispute to be put to the Companies concerned on the basis of a lease for a term of years, after consultation with the Governor as to whether the Port Authority should reconstruct the wharf and the rent remain at £12,000 or the rent be reduced and the Company be required to reconstruct. In either event, the Company should definitely be liable for all work required for the future maintenance of the wharf.

20. Action. As I have indicated at the beginning of this memorandum, it will be necessary to consult Mr. Denham in the first place, then to obtain the Governor's concurrence, and then to tell the Steamship Companies what we have decided, and, at the same time, to write to Lord Inchcape on the question of M'baraki. Mr. Denham should have a copy of Sir G. Grindle's typewritten note.

The Imperial Shipping Committee propose

1. An anchorage due on tonnage on all ships using the port. This is a harbour due payable by all ships, whether moored, anchored in midstream, or brought alongside wharf.

2. A berthing charge on the ship on tonnage for berthing alongside deep water wharves

(2) is an addition to (1). Ships berthing alongside pay both 1 and 2. Ships lying out in the harbour pay (1) only.

3. A "passing over" (or "wharfage") charge on all goods landed on the wharves - in reality a payment for the privilege of crossing the wharf. This passing over charge to be high for deep water wharves and lower for lighter wharves, or rather goods landed from lighters. If by chance a deep water wharf is vacant and a lighter goes there instead of going to lighter wharf, the goods landed from that lighter will only pay the lighter wharf "passing over" charge. The lighter only goes there for the convenience of the port and will always give way to a ship.

This charge is levied according to the class of goods. There would be no objection to a moderate ^{both} constant for deep water and lighter wharf charges in addition to the class rate provided the constant is moderate and not so large as to destroy the competition between lighter and wharf by subsidising the wharf at the expense of the lighter.

The deep water wharf and passing over charge to be

such

such as to cover the cost of interest sinking fund etc. on the cost of building the deep water wharf. The lower lighterage wharf "passing over" ^{charge} to cover the cost of interest, sinking fund etc. on the cost of building the lighterage wharf.

4. A "Handling charge" for all goods however landed whether from the ship on to a deep water wharf or from a lighter on to a lighter wharf or a deep water wharf.

This charge is meant to cover services rendered, such as warehousing, sorting, use of cranes etc. This charge to be the same for all goods according to the class of goods, i.e., the same for all kinds of coal and all pianos but not necessarily the same for pianos as for coal;

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