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MARCH

ions Paper.

URASIN GISHU RAILWAY

Encloses set Colonial Economic Development Comm^{tees}
PAPERS. Terms of a contract are being negotiated with
Sir J. Norton Griffiths. Thika extension not at present
included. Question of Grogan's guarantee requires to be
put into shape.

Sir, & Read

The immediate point - from the
departmental point of view - is
the Grogan guarantee - see letter of
28.1.20 flagged in green

I agree that (a) should be added -
apart from the question of the date
the 20,000 tons, whether full,
a provision that money will
be spent on development work
not help in any way to Grogan
- he would spend it all on his

old as pencil - date, which are
valuable but so not very heavy
On the other hand, (a) was not
found to put any trouble on the

See later

18 March 1900

14603

RECORDED
MAR 20

My dear B. Stowley

I enclose a set of the
Col. Gen. Development Committee
relating to the Union Coler Railway.

As you know, the Crown
Agents are on informal instructions
negotiating the terms of a draft
contract with Sir J. Northcliffe,
in consultation with the Consulting
Engineers & Sir E. Dooty. The
Thames extension is not at present
included in these negotiations.

Frogan's guarantee (see
drafted proposal on p. 45 also
proposal on pp. 43, 46, 49) requires
to be put into shape, and I

Downing Street,
27 March, 1920.

Dear Sir Edward,

When I spoke to you after Thursday's meeting about Major Grogan's guarantee of railway traffic, I forgot to suggest to you that it would be a great assistance to us in coming to an agreement if you could settle with Major Grogan the outstanding question of whether the 20,000 tons of wood per annum should or should not include wood sold to the railway. I understood you to agree that we ought to require that this wood should not be included. If you think that it would be possible to see Major Grogan about this, I will hold up the question of the legal form of guarantee until I hear from you.

Yours sincerely,

(Ed) F.C. Bottomley.

Major-General

Sir Edward Northey, K.C.M.G., C.B.

GENERAL ECONOMIC DEVELOPMENT COMMITTEE

MEMORANDUM TO THE SECRETARY OF THE COMMITTEE ON THE PROPOSED UGANDA RAILWAY FROM NAKURU TO MUMIAS IN THE E.A.P.

I. CHARACTER AND OBJECTS OF THE LINE

The proposed Uganda Railway, 262 1/2 miles long, grew out of Article I of the Brussels Conference of 1874, which intended as a means of counteracting the slave trade. Construction was commenced in 1896, with Indian, Asiatic labour, under the direction of a Committee in England, which, when it dissolved in 1904, had spent out of Parliamentary grants £3,317,000 (£9,105,000). The capital expenditure has increased by 1910 to £5,537,333 (£9,552,000). The line is of 1 metre gauge (39 3/8 in.), and 50 lbs. a yard (flat footed) with steel sleepers 75 lbs. each, 2 1/2 ft. to the mile, and a maximum gradient of two per cent. It runs from the sea at Mombasa, and thence, following to Kisumu or Port Florence on Lake Victoria, whence there is communication by steamer across the lake to Uganda.

The route of the proposed line, 205 miles long, leaves Nakuru (at mile 44 on the Uganda Railway, height 6,010 ft.) in a north-westerly direction and at about mile 40 (say 6,500 ft.) reaches the large Eldama Forest. A steep climb then begins and the route reaches its highest point 8,520 ft. at mile 70. Eldoret, the capital of the Uasin Gishu plateau, which is a large centre of European settlement, is at mile 122 1/2 (6,860 ft.). From here the line bears westward and southward, gradually falling to the terminus at Mumias (mile 205, 4,270 ft.) in the progressive North Kavirondo district. The area of European settlement ends and that of native cultivation begins at or beyond mile 135.

3. The line will, of course, be like the Uganda Railway, of 1 metre gauge.

4. The route was surveyed in 1914-15 under the direction of Mr. Church, Chief Engineer of the Uganda Railway, and a paper location has been laid down on a contour plan prepared from a survey by staked out traverse. The projected line runs within a few hundred feet from the survey line, and, except between miles 41 and 50, where heavy work is necessary, will require little lifting and can be quickly staked out. The maximum gradient takes (with compensation for curvature) was 1.90 per cent. In some parts had 1.00 per cent. in others. The time required for construction is estimated at 3 years, with a constant supply of at least 12,000 labourers recruited from the Kavirondo district (where it is plentiful), artisans from India, and humber staff from home.

5. The whole plateau north of Eldoret is already settled, with a good deal of the Trans-Naivi district, and some hundreds of thousands of acres of the latter have now been allotted under the Government soldier settlement scheme. The Naivi River at its nearest point to Eldoret lies about 25 miles to the S.W. of that town, and its height is there about 5,500 ft. Thence the country rises very gradually to the foot hills of Mt. Elgon. Geographically, this Trans-Naivi district is part of the Uasin Gishu plateau. Settlement of the plateau has been in progress for 10 or 11 years but has been hampered by lack of communication.

6. The new railway will, if constructed, become in due course part of the main line to Uganda proper.

II. ESTIMATE OF COST

7. On the results of the survey of 1914-15 the Uganda Railway authorities estimated the cost of the line at pre-war cost at £1,137,780 (i.e. £5,500 a mile on the following basis).

Line to be equipped with sufficient material to deal with normal traffic, but to be worked by rolling stock from the Uganda Railway.

Line to be laid with 60 lb. rails taken from the Uganda Railway, with lines the lower part of which it has been proposed to relay with heavier 80 lb. rails to cope with increased traffic that might be expected to accrue from further railway extension in the Protectorate.

By adopting certain diversions with a higher maximum gradient of 2 per cent., and by adopting a ballasting pending increase of traffic, this estimate was reduced to £1,012,010 (i.e. £4,937 a mile).

8. The estimated cost might now be estimated in the following manner:

9. The Uganda Railway rolling stock, 2,000 wagons, 100 engines, and 100 trucks, at an estimated cost of £1,000,000, would be available for the proposed line, and the cost of the rolling stock for the proposed line would be £1,000,000.

10. The rolling stock for the proposed line would be £1,000,000, and the cost of the rolling stock for the proposed line would be £1,000,000.

11. Allowance must be made for the cost of materials available from England. The cost of materials available from England would be £1,000,000, and the cost of materials available from England would be £1,000,000.

12. Modern Practice will have effect to reduce the cost for a commission of 8 per cent. per cent., reducing the cost (25th November, 1914) to about £3,750,000, without rolling stock. Adding an amount for rolling stock, this would be increased to about £4,600,000.

13. The Uganda Railway management have made an estimate of £2,400,000 at pre-war prices on the previous basis, i.e., without falls or inflation, and allowing for exchange of rates 16 to the £.

14. Materials from England may be paid roughly at 24 times the pre-war cost. In the case of the projected extension of the Shire Highlands Railway to Nyasaland, from the River Luchenza to Lake Nyasa, the Consulting Engineers in England, who estimated the cost on a pre-war basis at £714,326, have recently revised the estimate to £1,395,000, an increase of about 50 per cent.

III. FINANCIAL PROSPECTS OF THE LINE

15. Only general information can be given, since no estimates have been received as to the traffic and revenue which may be expected from the proposed line, or as to the cost of maintenance. The Colonial Office have recently telegraphed instructions that such estimates should be prepared.

16. About April, 1915, the District Commissioner at Eldoret prepared a report dealing with the Uasin Gishu plateau and Trans-Naivi, a copy of which is appended (Appendix I). They are not very definite, but they do state that development in the Uasin Gishu is going ahead, and that the development of Trans-Naivi means an advance to the Uasin Gishu.

17. The Acting Governor, Sir C. Hewing, visited the plateau in March, 1913, and refers to the prospects of the line in a despatch dated May 1916. He says (paragraph 9):

"Considerable areas of the plateau have already been put under seed and coffee, and will be in full bearing before the line can be completed. Very large production of tea may be expected, and this being an annual crop will be ready for export a very short time after being planted, and there will also very likely be a considerable accumulation of produce awaiting the completion of the line before it can be moved."

He also refers in the paragraph to the possibility that local wheat and maize may be able to compete in the world's markets. At present the only outlet for produce from the plateau is by means of oxen along a road 60 miles long from Eldoret to Londiani on the Uganda Railway, which is impossible for several months in the year because of the heavy rains, while towards the end of the dry season there is risk of the grazing being insufficient for the oxen apart from the risk of outbreaks of disease among them. At the opening of the Acting Governor with the officers on March 25th (paragraph 11):

"The various speakers laid stress on the difficulties from which they were suffering in the matter of transport. It was stated that while such produce as wool, tea and coffee could perhaps be exported at a profit even under existing conditions, the heavy cost of wagons transported severely hampered the plateau in competition with more fortunately situated districts. Also that the economic production of the commodities mentioned necessitated the investment of large amounts of capital in machinery, supervision, &c. The production of wheat and maize, so well as the dairying industry, and in fact all farming except the small man, was made impossible because of the lack of facilities for bringing the produce to the market. Attention was drawn to the enormous number of oxen required to move the produce, which oxen could be more economically employed in ploughing the land."

Paragraph 12:

"The speakers expressed the willingness of the plateau settlers to be specially taxed so as to provide interest and sinking fund on the loan, and suggested a land tax at the rate of 20 cents per acre, which they considered would be sufficient. It was, however, agreed that the question of finance had not been gone into in any detail, even from the point of view of the plateau owners."

After leaving Eldoret, Sir C. Hewing made a three days' tour of the plateau, and says (paragraph 17):

"I was greatly impressed by the productivity of the area visited, and by the development which was being undertaken by the more wealthy settlers. The possibilities of seed and tea production appeared limited only by the availability of machinery. There were no labour difficulties. Sugar and citrus also flourished, and were expected to be great possibilities for the future of the local industry. Great areas of land of about 500 acres, but the cost of transport militates against their becoming really worked on the present conditions, while in other areas only sufficient for local requirements on the plateau can be produced economically. Lines ought to be made to visit the Trans-Naivi District, the Western Parts (more so than the vicinity of the Naivi Centre), but I believe that these areas are no less fertile than that between the Kericho and Naivi Rivers. What can be seen of the plateau proper from the high road north of the Naivi River is not so alluring. But little development has taken place, and though much of it is doubtless suitable for the production of maize the cost of transport makes it impossible for it to compete with other sections or with the native reserves, and until this cost can be very materially reduced it will be impossible for the land to be developed to its fullest extent."

18. The British Forest Commission, about mile 40 on the line, reports, from official reports received in 1917, as to its very good value.

16. The Northern Kavirondo district to be tapped by the line beyond the Usin Grabu plain is very fertile, and is occupied by a very large, intelligent and industrious population, which has taken up agriculture with great energy, and even with present communications (i.e., a road to Kisumu at the lake terminus of the Uganda Railway) has produced much sisim, etc. for export.

17. The new line will undoubtedly, as already stated, become in due course part of the main line to Uganda, and will carry the main and other products of that Protectorate.

18. The results of the working of the Uganda Railway (with branches and steamer services) since it was opened for public traffic are given as follows in the Administration Report for 1917-18.

Year	Net Earnings	Percentage of Earnings in Total Expenditure
1906-07	Loss 60,101	
1907-08	2,639	
1908-09	56,679	
1909-10	76,763	
1910-11	94,713	
1911-12	61,838	
1912-13	61,867	
1913-14	98,619	
1914-15	131,371	
1915-16	202,045	3.39
1916-17	213,483	2.82
1917-18	180,600	4.14
	287,300	5.41
	351,925	5.41
	209,986	3.21

In making any inference from these figures as to the prospects of the new line, it should be remembered that the main line was not a purely economic line, and was constructed in advance of settlements that it runs for a good portion of its length through poor country, and that in the case of a Government-owned line account should be taken of indirect profits in the shape of increased general revenue resulting from the development of the country. On the other hand, while the cost of the main line was just under £10,000 a mile, the new line is estimated to cost at least £12,000-£13,000 a mile, and the rate of interest to be paid now on borrowed capital is much higher.

20. The export traffic to be carried by the new line will have to be the charges of transport along 450 miles of the main line. Its ultimate development depends upon the improvement of the port at Mombasa. Until the completion of the harbour works scheme, when money can be found for it, it will probably take a longer time than the construction of the Usin Grabu railway. The Acting Governor, in the despatch already quoted, has expressed the opinion that until the deep water scheme can be taken in hand the financial aspect of the construction of the line must be approached from the point of view of the ability of the local markets to absorb the bulk of the produce from the area it will serve.

IV. POSSIBLE METHODS OF OBTAINING CAPITAL REQUIRED:

The ordinary course taken by the Government of a Colony desiring to construct a new railway or other large capital work is to issue a public loan, usually in London through the Crown Agents, on the security of its general revenues. These loans are trustee securities under the Colonial Stock Act, 1900, and cannot be transferred or can be compounded by an initial payment. Whatever may be the moral obligation of the Imperial Government to back a Colony in financial difficulties, it is necessary to state in a prospectus of every loan under the Colonial Stock Act that the Treasury is in no way liable in respect of it. It is probable that the investing public recognizes the obligation. There has been an issue in the past of a £2,000,000 5 per cent loan at par, which was fully repaid in 1911.

21. It is necessary to remember that the Colonial Stock Act does not apply as a Protectorate, and that a Protectorate loan would therefore not be a trustee security, and that this would have to be provided either by passing the necessary amendment of the Act to cover a loan of this kind, or by issuing a loan (however small) of the territory, and (2) that the financial and other prospects of the East Africa Protectorate are not nearly so assured as those of a Colony, and that the issuing of Treasury loans would form a poor charge.

22. To avoid this poor charge it would be necessary to apply to the Treasury, the amount already advanced from the Exchequer, and to issue a loan covering the whole of the public debt. The advances already paid amount to £687,840, mostly at 4 per cent (with an addition of 4 to 11 per cent per annum for repayment of principal) future advances including a sum of £285,000 already applied for, will be at 5 per cent interest. The total cost of the loan already carried out with this money and of those proposed for the future, including the Uganda Railway, would be about £1,000,000. It would, however, be disadvantageous to repay the advances made at a low rate of interest.

23. The following is a statement of the total revenue and expenditure of the East Africa Protectorate (including railways) during the last five years:

Year	Revenue	Expenditure
1911-12	728,978	741,426
1912-13	820,223	880,914
1913-14	1,120,230	1,031,375
1914-15	984,142	1,129,174
1915-16	1,138,667	1,046,681
1916-17	1,501,899	1,088,668
1917-18	1,338,109	1,426,418
1918 (estimate)	1,342,000	1,24,000
1919 (estimate)	1,342,000	1,32,000

* Includes £120,000 railway revenue from sorghum which it is desirable to remove as soon as possible.

25. Where a Colonial Government is not prepared itself to pay for the construction of a new railway an alternative is to grant a railway concession to capitalists willing to undertake it, and questions then arise as to the rights of expropriation to be reserved, the degree to which control of working should be retained by the Government, and also as to land grants, guarantees of interest, subsidies, and the grant of privileges of one kind or another, such as the remission of taxation. (In considering these questions much might depend on whether the new railway was to be a main artery of the territory, a branch line required for general development, or a line required for the service of the property of a single company or a group of companies, though possibly capable of contributing sooner or later to general development. The instances of local railway concessions in the Colonies may be used.)

26. The Magadi Railway to the Magadi Soda Lake. A lease of the lake was granted in 1911 through the territory to the Magadi Soda Co., and a railway agreement made at the same time that the company should construct and pay for the railway, but that the Uganda Railway administration should provide rolling stock and work the line, fixing all fares and rates except those specially agreed for the company's traffic. Half the net profits were to be paid to the company. There was no land grant beyond the lake and the land required for the railway itself. The property in the land grant beyond the lake and on the expiration of the lease of the lake, or the Government could purchase it at any time before.

27. In Nyasaland the line from Fort Herald to Blantyre (the main line of the Protectorate) was constructed and paid for by the Shire Company under contracts of 1902 and 1908. The agreements provided that the railway should be the absolute property of the company, and should be worked entirely by them, subject to inspection by a Government engineer for the purposes of public safety, and subject to a covenant for continuous working which specified the minimum number and average speed of trains to be run daily. Rates and fares were to be subject to the approval of the Government so long as the net receipts exceeded 7 per cent of the capital value of the railway. No remaining line was to be constructed in the Protectorate for 25 years. Timber, earth, &c., from Government land were to be taken free, and plant and materials were to be imported free of duty. After 25 years the Government could purchase the railway on terms laid down. Land was to be granted at the rate of 5 square miles for each mile of line constructed; for 113 miles this amounted to 563 square miles.

28. In 1913 a further agreement with the British Central Africa Co. (which took over from the Shire Company) provided for extension southwards (61 miles) to the Zambezi in Portuguese territory. Maximum rates and fares were fixed in a schedule, subject to periodic revision by the company and the Government. No preferential rates were to be given except to Government. The promise of land grants in the agreement of 1902 was revoked and commuted to a subsidy of £180,800 (at the rate of 10s. an acre on 650 square miles). The Government guaranteed to make up the net earnings of the new railway to 4 per cent on capital cost not exceeding £500,000. The option of purchase by Government was extended to the new line.

29. In 1914 a contract was made for the construction, by a new company to be formed in the territory, of a railway from the terminus of the existing railway on the north bank of the Zambezi to the coast. The company was to be an English company with a capital of £200,000, and was to have 6 per cent debentures available by sinking fund within 45 years up to £1,200,000, the estimated cost of the line. The Government guaranteed to make advances to cover the same sum for the first 25 years up to the extent of the net receipts for interest on the debentures. No dividends were to be paid on share capital until all the debts owed by the Government under the guarantee had been paid with interest at 7 per cent. The Government was to receive one share of the stock without payment.

30. An British Guiana proposal to construct a railway along the coast, which belonged to the Demerara Railway Co., was also made to extend the line in both directions, and an agreement was made with the company under which the Government guaranteed to make up the net earnings of the new railway to 4 per cent on £1,500,000, the estimated cost of the line, for which debenture stock was to be issued. Half of the profits in any year were to be set aside for payment of the advance provided under the guarantee. These are the only railways constructed at present in British Guiana, development having hitherto been confined to the canal region.

31. As regards the proposed Uasin Gishu Railway, various proposals have been made for obtaining the funds required, whereas than by the issue of a Government loan. Baron Erlanger, who is associated with Messrs. Pauling's view to carry out the construction of the line, has suggested in conversation—

(1) that bearer bonds of the Protectorate Government should be handed, as the work progressed, to the contractor, who would arrange with Messrs. Erlanger for the bonds to be issued to the public at a suitable moment; or

(2) that a company should be formed, of which the Government might well be the sole shareholder, and should issue debentures under a guarantee of interest by the Government.

The first of these alternatives would involve the Government of a non-trustee security, the second theoretically free from this objection, but it would be equally necessary, no doubt, to offer liberal terms to the debenture holders. Under either alternative the Government would retain full control of the railway.

32. Sir J. Norton Griffiths has also suggested in a letter dated the 22nd December two alternatives, the latter of which is rather similar to Baron Erlanger's second alternative, but is worked out in considerable detail. A copy of the whole letter (Appendix II) is therefore attached. It may be noted here that Sir J. Norton Griffiths' scheme bears some resemblance to that proposed by the Hon. Gordon Murray in regard to British Guiana.

33. A third course from which a suggestion is available (though hardly perhaps applicable or intended to be applied to the construction of a railway) is the report, dated March, 1919, of an "Economic Commission" appointed by the late Governor of the East Africa Protectorate in 1917 to consider, *inter alia*, the means by which the resources of the Protectorate should be developed, and consisting partly of official and partly of unofficial members. They recommend—

(a) the setting up in the Protectorate of a standing "Board of Economic Development," comprising, on the one hand, all the Heads of Government Departments on whose activities economic development depends, and on the other, representatives of the producing interests, industries and trade. This Board to have no executive power, except as regards the management of its own affairs and any specific matters in which the Legislative Council might assign to it a limited initiative; and

(b) the incorporation by Royal Charter of a "Chartered Bank of East Africa," with a directorate consisting of the Treasurer as Chairman, four other official and five unofficial members of the Board of Economic Development and up to five additional co-opted members. This institution would be financed either privately, or preferably by Government, with a capital of say £2,000,000. Its principal function would be to apply its capital to the working of schemes holding promise of economic advantage to the commonwealth, as, for instance, any scheme for settling soldiers on the land; and in particular schemes involving initial investigation and research (e.g., schemes for establishing fisheries, manufacture of industrial alcohol). It would not, of course, concern itself with the schemes not offering a direct cash return, however desirable in themselves (e.g., geological and hydrographical surveys). It would work in conjunction with the Board of Economic Development. Proposals approved after preliminary investigation would be forwarded for further investigation by the Board to the Bank. The services of the scientific officers of the Government would be at the disposal of the Bank for the conduct of all necessary enquiries. Where the result of investigation was satisfactory, the Bank would float a company, call for subscribers and take up shares itself. It would reserve to itself a number of seats on the Board of the new company. The knowledge that the prospects of the company were favourably regarded, and in part controlled by a powerful public institution would, of course, have a strong effect in securing the confidence of the investing public. The outstanding principle of this scheme is, "The financial and industrial responsibility for the Bank for Industrial Investment should rest with the public." The outstanding principle of this scheme is, "The financial and industrial responsibility for the Bank for Industrial Investment should rest with the public."

34. One of the Commissioners' opinions on the above recommendations with the opinion that any large sums of capital which may be available for public purposes in the Protectorate should be required for communications, and that until sufficient capital is forthcoming to satisfy this need with the extent of the existing development, it is premature for the Government to be asked for such undertakings as that of a Development Bank.

30th December, 1919.

APPENDIX I

STATISTICS OF THE UASIN PLATRAU AND TRAPS YEARS

Average under cultivation

Maize	...	6,216 acres
Coffee	...	2,798 "
Flax	...	4,309 "
Field-crops	...	2,800 "
Others	...	2,648 "
Various	...	899 "

Total ... 19,670 acres

This is being largely increased

↑ Includes wheat, oats and barley.

Average yield per acre

Wheat	...	16 bushels
Maize	...	One ton
Number of cattle	...	25,000 (approx.)
Transport oxen	...	10,000
Breeding stock	...	5,000
Native stock	...	18,000
Cattle dipper number	...	40
Flax mills	...	14
Sisal mills	...	1
Sisal mills	...	1
Coffee mill	...	1

↑ The capacity of whose output is 16 tons per diem.

I consider that the increase of acreage on the plateau will range this year from 25 to 50 per cent. There is a great demand, and a great deal of it is being changed or is changing hands. The Turbo Flax Machine has now been sold, and is in course of reconstruction with a large increase of capital.

	Adult Males	Females	Children
White population
Last Census	372	292	488
At the Present	393	—	—

District Commissioner,

Eldoret.

APPENDIX II

SIR J. NORTON GRIFFITHS to COLONIAL OFFICE

22nd December, 1919.

UASIN GOUDA RAILWAY.

On behalf of myself and the financial groups who are prepared to go into this business with me, I beg to submit the following proposal for the construction of the above railway.

The object will be three main, namely, to bring the proposed station to the Uasin Gishu Railway can be carried out.

Advantages.

(1) The Protectorate Government can save out the work itself, by issuing a Government loan to finance the cost of construction and operation.

The method has the merit of simplicity, but does not decentralise construction, which I understand is in some respects desirable. Nor does it enable outside business and commercial interests, which would be of great value to encourage schemes of development.

(2) The Protectorate Government, by issuing railway bonds as a company in which it would take a controlling interest, and finance further extensions on its security and prospects of the existing system.

This method would have the advantage of retaining the whole railway to one organization, but would entail certain financial and working difficulties and necessitate a central. In addition, it would

have the disadvantage of necessitating a sale at a considerable capital loss, and would be a more conservative method of raising the additional capital required.

(3) They require a third method which, while somewhat novel, would appear to be the best solution, and I therefore propose to enter into this method in detail.

I propose that the Protectorate Government will acquire the line and the railway.

(4) To retain control of the new railway.

(5) To issue debentures in conjunction with the Government's railway.

(6) To issue debentures in conjunction with the Government's railway.

That a company should be formed with an authorized capital of say £1,000,000 in 100,000 shares of £10 each, for the purpose of constructing the proposed Uasin Gishu line and any further extensions, which the Protectorate may from time to time determine to make. An agreed proportion of these shares should be immediately issued to the Protectorate to represent the value of the present concession and necessary facilities. Of which an agreed number should be allotted to the group finding the necessary money for the construction of the new system, but so that the Protectorate will maintain complete control over the line and the future policy of the company, including the balance of its financial capital.

It is suggested that the Government should be represented on the Board by three Directors, including the Chairman, and the Group by two Directors.

The money necessary for the construction of the line and for the overhead and administrative expenses of the company should be found by the issue of say £5,000,000 at 4½ per cent. debentures which would be guaranteed by the Protectorate.

When the line is completed it would be handed to the Government for a period equal to the term of the debenture issue, at an annual rental equal to the amount necessary to cover the service of the debentures, i.e., interest plus sinking fund. The Government would thus not only practically own the line, but would also operate it without any outside control.

The head office of the company would be in London, and might also serve as a central information bureau and centre of propaganda, and would thus fulfil a most necessary and useful function in promoting the development of the Protectorate, while the inclusion of important financial and commercial interests of shareholders in the company and on the Board would facilitate future finance and encourage their assistance in the development of the resources of the Protectorate from which the railway would be the first to profit.

Disadvantages.

Either in regard to the debenture issue, could either be issued in any form, or in any three "triple" instruments, but a financial colleague may be of opinion that the whole amount required to finance the construction of the proposed system and the interest during construction, should be covered by debentures which would be issued in three instalments, and the cash proceeds of the debentures should be used for the purpose of:

- (1) the rate of interest on the debentures.
- (2) the cost of the debentures.
- (3) the cost of the debentures.
- (4) the cost of the debentures.

In the present state of affairs, and in the money market, it is impossible to state a figure at which the issue could be made, until the approximate date of issue is fixed. Nor until such time is it possible to say how much should be devoted to interest and how much to redemption, since neither can be fixed in the present state of affairs.

The average Colonial Trustee stock will remain constant, and it should therefore be possible for the Government to agree upon a formula on this basis.

It should be noted, however, that this issue would be too solid to attract the more speculative investor, and that it is prohibited from relying upon the enormous resources in the hands of Trustees, and some allowance must be made for this fact.

The following terms are therefore suggested:

- (1) The Debentures should be guaranteed as to principal and interest by the Protectorate, and the interest and sinking fund secured by the terms of the lease above referred to.
- (2) The date of redemption should be the year 1966, the sinking fund to come into operation in the year 1903, by which date the time should be in operation, and to be applied to the redemption of the debentures either by annual drawings at par or by purchase on the market, whichever is most favourable to the company.
- (3) The Debentures to be issued on terms which would give the public a return in interest of 4 per cent. per annum more than the cheapest Colonial issue at the time and at a price calculated to give a redemption yield of 4 per cent. per annum assuming the bonds are drawn at par at the average date of redemption (in this case 1937) and after deducting 5 per cent. which would probably cover the expenses of the issue, including the cost of advertising and underwriting (unless it were considered advisable for political reasons to issue a portion in Africa).

Construction

My group will undertake the construction of the railway on the basis of the revised estimate for a contractor's profit of 5 per cent. on the approximate cost of two and a half millions, shown on such estimate. Should any saving be effected on that estimate, 75 per cent. thereof will belong to the Railway Company and 25 per cent. thereof will be the contractor's bonus for such saving, and an agreed bonus for any saving of time based on a similar proportion.

In the event of the costs as shown on the revised estimate being exceeded, the contractor shall receive no profit on such excess.

Figures to be based upon a fixed rate of exchange.

It is understood that facilities will be given by the Protectorate through the Crown Agents and other wise for the purchase and transport of material, labour, and use of rolling stock, the price of rate of hiring being, of course, agreed and included in the revised estimate.

The facilities given will have a great bearing upon the time that will be necessary for the construction of the work and consequent saving of interest during construction.

It is understood that construction will be carried out under the supervision of the Government Engineers on behalf of the Protectorate.

I am, &c

J. NORTON GRIFFITHS

No.

COLONIAL ECONOMIC DEVELOPMENT COMMITTEE.

77, Curliale Mansions, S.W. 1
January 15th, 1920.

MY DEAR BROTHER,

ULUKE GASHU RAILWAY.

In answer to your letter of 13th instant* the following are my comments on Mr. Ezechiah's Memorandum on the Plateau Railway Extension. I return the Memorandum herewith requested. We must think largely in these matters of Empire building—I assume that a great future is expected for British East Africa and Uganda in the production of raw material required by the Empire and that development is considered desirable.

I believe that the Eldoret branch line will eventually become the through main line to Uganda, if not to the Sudan also. I should therefore not easily be put off by the originally surveyed route by the argument that we are climbing the Mau Escarpment, for by doing so we get a quicker and shorter line through, and incidentally open up not only the two lands just north of Nakuru, but also a very valuable forest area, we shall be short-sighted, besides to cut it out because of the extra half million required. The proposed line, as surveyed from Nakuru through the Eldoret Forest, goes right through Grogan's big forest concession. We ought to get him to assure us, or even guarantee, his real intentions as to working the timber—in sufficient quantity I mean, to give the Dias plenty to carry—not merely cedar wood for pencil-making and press woods for carrying and panelling, but big timber for building. If he is really serious about putting this timber business—as he should be, for I believe it would pay—then there is a very strong argument for taking that route, not only for Grogan's interest, but for the good of the Protectorate which wants the timber.

I am sorry to have no information as to the respective distances by the surveyed route from Nakuru or for Mau Summit to Eldoret, but I believe the surveyed route is shorter.

I recognise that if Grogan's timber business is not certain to bring a very large downward tonnage to Nakuru, and if it is a fact that the alternative route by Mau Summit will cost half a million, roughly more, it may be decided that the latter is preferable.

Of course, Londiani—Eldoret direct is an impossible route, mostly through very bad black cotton soil and unproductive land. The alternative route must be from Mau Summit, and cut in to the surveyed route after it has mounted the Escarpment.

Munias Station is being moved to Suda's Old Village, some 40 miles N.E. of Munias. I recommend that we estimate in the first place for a line only as far as Soi, some 15 miles beyond Eldoret. Soi is central for the Trans-Nzota people, and quite far enough to go to meet the through line to Uganda is arranged for later.

The productive probabilities of the Plateau and Trans-Nzota Districts have from the time of the late Sir Charles Bowring was there in 1918. I was astonished at the rapidity of recent development. I was there in June, 1919.

The question of how best to finance a loan for the Protectorate, or for the railway alone, must be left to expert advisers, but I am convinced that if the Trans-Nzota help us, we can and must raise funds privately or from the public, but we cannot start paying full interest on a sinking fund on the total loan in the first few years. This must come out of capital.

Yours, &c

EDWARD NORTHEY.

* No.

† No.

No.

COLONIAL ECONOMIC DEVELOPMENT COMMITTEE

MINUTES OF SECOND MEETING, HELD AT THE COLONIAL OFFICE AT 5 P.M. ON MONDAY,
JANUARY 19TH, 1920.

PRESENT:

COL. AMERY (in the Chair).
 SIR W. MERCER.
 SIR J. EAGLESOME.
 SIR H. READ.
 MR. GRINDLE.
 MR. DAWSON.
 MR. EZECHIEL (Secretary).

Major-General Sir E. Northey, Governor of the East Africa Protectorate, attended by special invitation in connection with the discussion of the projected Uasin Gishu Railway.

*Minutes of First Meeting** were passed.

Uasin Gishu Railway.—The papers before the Committee were a memorandum by the Secretary, dated December 30th†, summarising the information available; a memorandum by Sir J. Eaglesome, dated January 10th‡, suggesting that it might be preferable at present, instead of the projected line from Nakuru to Mumias, to construct a line with the same maximum gradients as the main line from Londiani to Eldoret and beyond to the end of the region of white settlement, the Kavirondo district being developed by a line from Kisumu to Mumias; and a letter from Sir E. Northey, dated January 15th, commenting on the two memoranda, in which he stated his opinion that if a new ascent of the Mau escarpment was to be avoided, Mau Summit would be a better starting point than Londiani, and that for the present the line might well stop at So.

Some discussion took place on the advantages and cost of the alternative route and it was decided to appoint a Sub-Committee to consider further the question of the route to be chosen, and, *inter alia*, to examine Major Grogan as to his intentions with regard to the development of the Eldama Forest.

As to the method of providing the capital required, the Chairman and Sir H. Read suggested that Sir J. Norton Griffith's scheme was worth careful consideration, and the details of this scheme were briefly discussed. The issue of 6 per cent. Trans-Zambesia Railway bonds, guaranteed as to interest and partly as to principal by the Nyasaland Government at the price of 93, afforded some indication of the price that might be obtained in the case of the Uasin Gishu Railway. It was decided to refer this question also to the Sub-Committee, who would consider further whether it would be advantageous to include in the loan any other projected works in the East Africa Protectorate such as the Thika Fort Hall railway extension or the Kilindini harbour works.

The following were appointed as the Sub-Committee:—Sir H. Read; Sir E. Northey; Sir W. Mercer; and Sir J. Eaglesome, with Mr. Ezechiel to act as Secretary.

Mr. Williams' Report; *Col. Cattrell's Memorandum*; *Mr. Gordon Murray's Letter on British Guiana*.—The discussion of these was postponed.

The next meeting would be arranged when the report of the Uasin Gishu Sub-Committee was ready.

* No.

† No.

‡ No.

No.

COLONIAL ECONOMIC DEVELOPMENT COMMITTEE.

REPORT OF THE UASIK GISRU RAILWAY SUB-COMMITTEE TO THE MAIN COMMITTEE.

The Sub-Committee met at the Colonial Office on Tuesday, the 27th January, at 8 p.m., and Friday, the 30th January, at noon. Mr. Bottomley, of the Colonial Office, was present throughout both meetings.

Major E. S. Grogan attended during part of the first meeting to give evidence with regard to the Eldama Forest. He handed in the "Notes on alternative alignments for the proposed Uasin Gishu Railway," of which a copy is annexed, and expressed his willingness to enter into a guarantee under bond as to the traffic which he would undertake to place upon a line along the surveyed route. He promised to put the substance of the guarantee in writing, the form to be arranged subsequently with the Government. Speaking offhand, he anticipated that he should be able in due course to place 50,000 tons a year on the line, roughly half of which would be for local distribution and half for export. He stated that as it now cost him £18 a ton to get timber to the nearest point of the present railway, he would be willing to pay the same amount or more to get it carried to Nakuru along the new railway. Timber for export could not, however, bear a higher charge than the present rate of 4 cents per ton-mile. He stated as to the exhaustion of this timber traffic in the course of years, he pointed out that the weight of commercial timber in the forest is estimated on official figures at 6,000,000 tons, but converted to agriculture.

Sir E. Northey pointed out, in favour of the surveyed route as against a line from either Nakuru or Mau Summit that the whole of the first 40 miles from Nakuru to the Eldama Forest is not only easy country, for the line to traverse but was already settled and would yield a return immediately.

At the second meeting Sir E. Northey handed in copies of a further letter from Major Grogan, enclosing an account of an interview between Sir C. Howarth, the Acting Governor, and representatives of the Nairobi Chamber of Commerce. A copy of this is annexed.

On the facts now before them the Sub-Committee recommend (subject to the receipt of a satisfactory guarantee from Major Grogan in such a form that the guarantee will run with the land)

- 1. That the suggestions for starting a new line from Londiani or Mau Summit should be dropped and that a railway following the surveyed route should be built from Nakuru as far as Soti, some 15 miles beyond Eldoret, the total length of this line being about 110 miles, and any extension beyond Soti being left to the future.
- 2. That the route be started, in the first instance, with a view to its being worked by the nature of a pioneer railway, having being reduced as far as possible by deviation, and the maximum gradient allowed (with compensating for curvature being, say, 1.5 per cent. upwards and 1.2 per cent. outwards) to assist with the heavier traffic.

Sir E. Northey and Mr. E. S. Grogan attended a further meeting of the Sub-Committee with regard to the form of the guarantee to be given by the former in his capacity as Agent for the Government of Kenya, and it was pointed out that the Government could not be held responsible for the loss of a loan could not be made a condition of the loan.

Mr. Grogan stated that the proposed line would be worked by Mr. de Vries, unless it should be possible to obtain a concession for the line, approved by the Secretary of State, in which case it will be possible to have the Sub-Committee's recommendation that it is decided to proceed with the construction of the line with the route as laid through the Crown Lands.

The main question is whether it should be carried out by contract or by concession. Sir E. Northey is distinctly in favour of a contract, principally on the ground that the Government is responsible for the work and that Sir E. Northey is the person who would be responsible for the work. He also pointed out that the contract should be awarded to the person who would be responsible for the work. He also pointed out that the contract should be awarded to the person who would be responsible for the work. He also pointed out that the contract should be awarded to the person who would be responsible for the work.

The Sub-Committee further recommend that provision should be made in the contract for the construction of the branch railway to Kericho, and that the Government should be responsible for the work.

H. J. B. (Chairman)

EMPIRE ECONOMIC DEVELOPMENT COMMITTEE

28th January, 1930.

Uasin Gishu Railway Alternative Routes

In pursuance of your request at yesterday's meeting of your Committee, I trust that the following notes will provide the particulars your Committee requires:-

Timber

(1) I have a saw mill on the river Bissoi at the entrance to the Eldalat Pass. The normal output of this mill should be 200 tons of sawn timber per month, the destination of which would be Nairobi. I have ordered supplementary machinery for this mill to prepare cedar for export. The total output might be reduced, but the destinations could be altered to Mombasa. As the railway proceeds beyond Bissoi, there will be a large short-distance log traffic to supply this mill, and with the result of increased logging facilities the output can be enlarged to the extent of the available logs by increasing the machine units.

(2) I have a double cut mill near the Eldana Ravine and have ordered an additional unit. The cutting capacity of the three units is 1,250 tons per month, provided that the log supply can be maintained.

(3) My plans provide for the erection of one big central mill at the log-pore site on the Tamasra River. It is my intention to concentrate all conversion at this point, and to log by short trolley lines to the main railway. These trolley lines will connect with the log-loading lines on the Main Line and follow the form lines of the country North and South. They will of course, enable fuelling to be carried on at the same time as the logging, thereby providing an inexhaustible supply of fuel.

The output of such a central mill is unlimited, subject to the limitations of the logging end of the operation and the markets available.

With the facilities provided by the railway and the existing through rate for export, there is an unlimited export market for hardwood sleepers, cedar and big dimension podocarpus.

(4) To summarise, the immediate traffic arising from the forest section in the form of (1) fuel, (2) logs and (3) sawn timber will certainly be 20,000 tons.

Guarantee.

As was recognised by your Committee it is difficult to make precise proposals in this connection, but I hereby commit myself to the following principle:-

(1) If and for as long as the financial exigencies of the War necessitate the imposition of specially high railway rates over the Nairobi-Noy section to enable the money for its construction to be provided: I am prepared to pay Rs. 0.50 per ton of 600 sq ft per mile for the transport of all sawn timber from any of the sawmills on the new line to Nakuru Junction, provided that (a) ordinary rates only are charged on logs consigned from the terminals of my logging lines to my mills, and (b) that the through export rate only is charged on timber consigned from my mills to Mombasa or Kisumu for export.

(2) I am prepared to enter into any reasonable financial guarantee (based on either a contract or a licence) to put on rail 20,000 tons of wood per annum (this to include wood sold to the railway) if trucks are available, or (b) to spend an additional £20,000 in machinery, trolleys and general development of the timber industry along the new railway within a period of two years.

I am &c

EWART S GROGAN,

Chairman,
The Empire Development Committee

No.

COLONIAL ECONOMIC DEVELOPMENT COMMITTEE.

28th January, 1929.

SIR, UGANDA GISHU RAILWAY ALTERNATIVE ROUTES.

In accordance with my promise at yesterday's meeting of your Committee, I send you herewith five copies of the Minutes of the interview granted by Sir Charles Bowring to representatives of the Nairobi Chamber of Commerce.

The reason given by His Excellency for his advocacy of the Mau Summit route, namely that the Mau Route would avoid the very heavy traffic that will arise on the first two sections of the alternative Nakuru Route, could I think be obviated by the provision of sufficient rolling stock and the necessary passing stations on the forest section.

Even if, as he fears, this section of the line has to be doubled to cope with the traffic, such doubling of the line would be less expensive than the construction of two distinct railways, and the freight that he anticipates would render it more than a profitable venture.

EWART S GROGAN.

The Chairman,
The Empire Development Committee.

Enclosure in No.

20th December, 1919.

SIR, DEPUTATION TO UGANDA GISHU RAILWAY.

I HAVE the honour to submit for His Excellency's perusal my Report of the interview graciously granted by him to the above deputation yesterday. Subject to His Excellency's approval and such alteration, if any, as may seem to him desirable, it is proposed to allow the Press to have this Report for publication on Monday, if possible.

At yesterday's resumed Special Meeting of the Chamber, following upon the interview and the report of the deputation, the following resolutions were carried:

1. That this Chamber is unanimously of opinion that the Uasin Gishu Railway is an urgent and immediate necessity to the advancement of the whole country.
2. (a) That this Chamber is of opinion that unusually high freight rates may be imposed if such are an essential condition to the construction of the Uasin Gishu Railway; and
(b) That this Chamber is of opinion that any such special rates should be universally applied to the whole of the railway system, without any discrimination in regard to the Uasin Gishu Branch.
3. That the reply to Major Grogan's cable message to Mr. Tannahill be that this Chamber is of opinion that the construction of the Uasin Gishu Railway should be proceeded with forthwith on the route originally surveyed.

I have, Sir,

B. HASLEWOOD,

Secretary, Nairobi Chamber of Commerce.

To the Hon. the Chief Secretary,
The Secretariat, Nairobi.

REPORT OF THE DEPUTATION APPOINTED TO INTERVIEW HIS EXCELLENCY THE ACTING GOVERNOR ON THE SUBJECT OF THE UGANDA GISHU RAILWAY.

Interview at Government House on Friday, 10th December, 1919, at 10.30 a.m.

Present: His Excellency the Acting Governor, Sir Charles Bowring; Mr. Cooper (Gen. Mgr. Uganda Railway); and Messrs. A. C. Tannahill, J. G. Anderson, V. G. M. Newland, D. Newmark, P. Haslewood, and E. S. Grogan, representing the Nairobi Chamber of Commerce; also General Baker, C.M.G., representing some of the Uganda Gishu settlers. Mr. A. C. Tannahill is Secretary of the Chamber of Commerce.

London, December 11th, 1919. (The following is a summary of the substance of the interview.) The deputation, consisting of the above-named gentlemen, met His Excellency at Government House on Friday, 10th December, at 10.30 a.m. The Acting Governor, Sir Charles Bowring, was accompanied by Mr. Cooper, General Manager of the Uganda Railway, and Messrs. A. C. Tannahill, J. G. Anderson, V. G. M. Newland, D. Newmark, P. Haslewood, and E. S. Grogan, representing the Nairobi Chamber of Commerce; also General Baker, C.M.G., representing some of the Uganda Gishu settlers. Mr. A. C. Tannahill is Secretary of the Chamber of Commerce. The following is a summary of the substance of the interview:—

For various reasons His Excellency had decided to eliminate the idea of relaying the present main line and had opted for the effect that the estimate was for new rails, £2,443,000 for the whole distance, and £1,210,000 to Eldoret.

In answer to a question, His Excellency said this was on the route surveyed in 1916, from Nakuru to north of Muiyas.

Also in his telegram His Excellency had pointed out that by starting the line from Mau instead of from Nakuru the cost would be approximately half a million less, and he had asked for authority to complete the survey from Mau, which had not yet been done, at a cost of £4,000, which would take four months.

In their reply the Colonial Office ignored His Excellency's reference to the Mau proposal, but pointed out that their own advisers' estimate for the Nakuru-Muiyas line, using 60 lb. rails, was £1 to 4 millions instead of 2½ millions.

In reply to a question, His Excellency said that the estimate of 2½ millions was made by the local management here, for the work to be done departmentally, and Mr. Cooper said that it was very probable that the Colonial Office had more recent and accurate information as to the actual enhanced cost of the iron bridge-work and the like, so that it was probable that that accounted for the difference between the estimate made by his Department and that made by the Colonial Office advisers.

In further explanation, Sir Charles pointed out that the original idea of the Uasin Gishu Railway was its very first intention some years ago, to tap the forest area which was expected eventually to yield a remunerative railway traffic. Since those days the Plateau had become more and more populated, and in the near future would be still more so, and in his opinion the thing to be aimed at now was to get the railway through to the Plateau as soon as possible in order to provide these settlers with an outlet for their produce; in other words the forest and timber possibilities were now of secondary importance, and he personally was of opinion that especially considering the present high price of money, the half-million or more that would be saved by adopting Mau as the starting point from the main line was well worth having, and he therefore favoured that route. It was, of course, possible that it might be found that this route was impracticable when the survey should be completed, but he thought not, as Mr. Cooper thought not. The great point about starting from Mau was that it would save the double climb up to the Mau Summit. On the other hand, there was the undoubted advantage of the Nakuru route that it gave, with the exception of a small portion, a 1½ per cent. gradient for the whole distance, besides which, of course, it would tap a more remunerative area.

In answer to a question, Mr. Cooper said that, speaking simply as the manager of the railway, a completed undertaking, and regarding it purely from its aspect as a running concern, there was no doubt that the Nakuru starting point was to be preferred.

On the other hand, His Excellency pointed out that if the forest timber traffic grew to the extent that many people confidently forecast it would, then there would be a strong probability that either the Nakuru portion of the line would have to be doubled, or else the timber traffic would cause such congestion as would gravely interfere with the needs of the settlers on the Plateau. In any case, His Excellency thought that sooner or later the needs of the timber industry would have to be served by a line of its own.

In answer to another question, His Excellency and Mr. Cooper stated that the Gilgil Route, starting out of the question as to the better adaptability of the country to be traversed.

General Baker, a Major and Captain Halliday were of opinion that the Uasin Gishu route would be quite a profit at the building of the railway could only be secured thereby, the necessary extra capital cost to be met by the present pay for road transport, viz., Rs. 1½ per ton per mile, as they would at least benefit by quicker transport.

In this connection General Baker stated that they had an offer from South Africa that their maize at a price that would pay the cost of export at even under present conditions, provided they could get over the loss on the Exchange by bringing up machinery instead of money-trail.

It was generally agreed that in respect of tax and coffee at least, the plateau settlers would be well able to bear a specially high rate, if only they could get the railway.

His Excellency was strongly of opinion that it would not be fair to expect the Uasin Gishu settlers to bear the whole cost of the interest and running charges of the new railway, even if they were at present willing to do so. It was a matter in which the whole Protectorate should take its fair share, by means of a general increase of rates over the whole system. In his opinion this is a community that is well able to bear much higher railway rates, as is shown by the much higher standard of living here compared with other parts of the world.

In answer to a question as to the attitude of Uganda as to a proposal to increase the present railway rates, His Excellency admitted that strong opposition was to be expected, but thought that this would be set over one way or another.

Mr. Yarnall thanked His Excellency on behalf of the department, which then withdrew.

No. 17
COLONIAL ECONOMIC DEVELOPMENT COMMITTEE.
SUPPLEMENT TO REPORT OF UASIN GISHU RAILWAY SUB-COMMITTEE TO MAIN COMMITTEE.

Sir Edward Northey wishes to put in the attached copy of a memorial which he has received, signed by most of the leading settlers interested, urging that the surveyed route from Nakuru should be adopted and not the alternative route from Mau Summit.

He also wishes to place on record, with regard to the native labour likely to be available for the contractor for the construction of the line, that while the Government would give all the assistance possible, a definite guarantee of sufficient numbers is impossible and the onus of finding the necessary labour must be on the contractor, who, if unable to obtain enough in British East Africa must be allowed to bring in labour from German East Africa (Tanganyika Territory) and Portuguese East Africa.

Sir J. E. Plasman desires to put in the following notes on the Sub-Committee's report.

Major Grogan's letter dated 28th January, 1920, states that he is prepared to accept responsibility, subject to certain conditions, of putting 20,000 tons of wool per annum, presumably including firewood sold to the railway, on to the Uganda line. He is also prepared to pay 50 cents per timber ton over the new line to Nakuru provided that a through export rate is charged on timber consigned from his mills to the sea for export.

The rate mentioned verbally by Major Grogan for our interest was one Rupee per ton mile over the new section and not 50 cents per 2 miles. As for the alternative route for export timber, this would be what the traffic could stand, as presumably the cost of general manufacture could bear a very much higher rate than sleepers or logs.

The value of Major Grogan's forest property will be very much appreciated by the construction of this railway, and it would be necessary to obtain an undertaking that any guarantees would continue in the event of the sale or transfer of this property.

I attach great weight to the views expressed from first-hand knowledge by Sir Edward Northey, the Governor, as to the rapid development which is likely to take place in the neighbourhood of the plateau provided a railway is constructed to Soy. If the railway is not constructed this development would be slow. The advantages apart from the increased customs, general revenue, and railway revenue, will be the increase in the value of the Protectorate as a property out of all proportion to the capital expended.

Page 2 (b) "Bridging being reduced as far as possible by deviation." It will be necessary to fix a curvature of minimum radius after examination of the plans in consultation with the colony as economy might easily be carried too far by putting in curves which would be too sharp for economical working. In the event of a curve being permitted of less radius than the maximum, a corresponding alteration would have to be made in the estimate.

18 February, 1920.

P. H. EZECHIEL,
Secretary

Enclosure in No. 17.
His Excellency Gen. Sir Edward Northey,
The Colonial Office, London.

Nakuru, R.E.A.
2nd January, 1920.

YOUR EXCELLENCY,

WE, the undersigned, beg to urge on you the great importance of constructing the branch railway to the Uasin Gishu, along the already surveyed route, i.e., the Nakuru-Muiyas route, for the following reasons:

- (1) This route will tap both timber and agricultural areas. Mau route will tap timber areas only. The agricultural areas the Nakuru-Muiyas route will tap are largely productive at the moment, and if the railway goes through, a larger acreage will come under cultivation. The route will serve at least half a million acres of highly productive agricultural land, which will probably support in the near future nearly 1,000 European settlers; the Mau route will benefit only the timber owners and a few cattle farmers whose produce can walk to market. We believe that when the Thika line was under discussion the then Governor, Sir Percy Girouard, sent the Director of Agriculture to report on the two surveyed routes to the Thika, with a view to ascertaining which route would benefit the country most agriculturally, and on this report, based on present facts.
- (2) The studies as surveyed on the proposed Nakuru-Muiyas line show that the third largest head can be hauled by the new line than can be hauled by the existing Uganda line, and this fact alone, over a period of years, will make a considerable difference.

It is our opinion that although the new line is shorter, the extra money required to construct it will be more than made up by the fact that the line will be more productive than the existing line, which revenue will increase yearly. The Government should be requested by the Trustees Administration to out the Uasin Gishu route.

The Mau route, which is shorter, will involve a lot of exaggerated claims will be required to build it, and it will cost more to run from Nakuru to Eldoret.

Finally, we would point out that the proposals have been sent to Your Excellency and accept one pressing for the Nakuru-Muiyas line, and one discontented with being that sent by H. E. Acting Governor.

We have, Sir,

Draft Minutes of Third Meeting, Friday, 20th February, 1920 5 p.m.

Present:-

Col. Amery (in the Chair)
Sir V. Mercer
Mr. Dawson
Sir E. Read
Mr. Grindle
Mr. Eschial (Secretary)

Sir Edward Northey also attended again by special invitation.

Minutes of 2nd Meeting were passed

Uasin Gishu Railway and Thika Tramway Extension - The report of the sub-committee was considered, and generally agreed to.

Sir E. Read expressed the opinion that there was much to be said for providing money at once in the proposed loan for an extension of the Thika Tramway not only to Fort Hall (31 miles) but for about 20 miles beyond to Keru. This further extension was not yet surveyed, but the country to be traversed was of the same easy character, and the line would tap country already settled, and the Kikuyu reserve, and promised to pay well. The whole extension including this portion, would probably not cost more than about 2500,000. The proposal was agreed to.

Sir J. Norton Griffiths and Mr. E. de Stein were called in to discuss the matter further with the main committee. Sir J. Norton Griffiths said that he was very anxious, if the construction of the lines was entrusted to him, to establish a "record" as regards both economy and rapidity of construction. His idea would be to build a rough pioneer line without "works of art" such as complete stations and platforms as far as possible, using, if necessary, funicular haulage of trains over slopes and temporary bridges, thus enabling both lines to be opened for traffic a year or so after commencement, and to

rectify and complete the work afterwards without interfering with the traffic. He was informed that the Secretary of State was prepared to give him the contract, subject to the satisfactory settlement of specifications, estimates, and other conditions.

He enquired whether the Uganda Railway would be able to supply him with some old rolling stock for construction purposes, and Sir M. Northey stated in reply that he thought this might be arranged.

The Committee considered that it should be borne in mind in the construction of the Uasin Gishu line that it may hereafter be found very desirable to alter the gauge from 6 metres to 3 ft. 6 in. Sir J. B. Griffiths said that pressed steel sleepers could be made adaptable to such a change by means of extra keys. But he considered it would save considerably of initial cost if the sleepers could be made from local timber provided that they could by the Pexall or some other process, be rendered immune, even for a few years, from destruction by white ants. He undertook to enquire into this. As to the supply of hard wood from the local forests, he was recommended to communicate with Major Grogan.

As regards finance, it was agreed that the money for these railways should be obtained in the cheapest manner, namely, by the issue of a loan under the Colonial Stock Acts. It was pointed out that the advantages of a company guaranteed by a colonial Government would not be a trustee company, and he admitted that in the circumstances he could not provide any on terms as favourable as could be obtained by the issue of Colonial Stock. He suggested, however, that there might still be an advantage to the Government in the plan of issuing the stock direct to the public in a single issue, but in instalments

of payment to the contractor, who would arrange with Stein's group for placing out the stock as issued. The price at which the contractor would accept the stock would be either a fixed price determined once for all, or a varying price determined from time to time on a defined basis in relation to the price of other Colonial Stocks. He also enquired whether the Committee would care to consider any suggestions that he might be able to frame in the altered circumstances for the formation of a trust company to take up development in East Africa, possibly with a percentage of American capital. He was informed that any proposition he might put forward in connexion either with the issue of stock to the contractor or with the formation of a company would be received with interest and carefully considered.

Sir S. Northey was authorised to send a telegram to the Governor announcing that the construction of the Usin Railway had been approved in principle and would be proceeded with when the arrangements had been settled in detail.

Kilindini Harbour } Sir H. Read proposed that the next
 East Land Railway Extension) proposals to be considered by the Committee should be for the construction of deep-water quays in Kilindini Harbour (Mombasa Island) and for the northward extension of the East Land Railway to Lake Nyasa. It was decided to refer these

proposals to the Committee which had dealt with the Usin Railway project. Sir Owen Phillips, who was asked to serve in connexion with the discussion on Kilindini Harbour.

The next meeting of the Usin Committee was fixed for

Monday 27th March at 10 a.m.