Draft

EAST AFR. PROT.

No. 46155

Office or Individual	(Subject.)
Grogan Capt. R.S.	Crown Lands Bill.
1908	
Dec.	Submit o/hand.
Last previous Paper.	
44368	

(Minutes.)

Mr Read

I believe we are going to have another Committee on this subject.

I think we ought to say the letter will receive earn.

Mr Read

Now see on 44368.

Read reply to Govr in dft on 44368, and tell Capt. Grogan that this has been done, and that the Bill will be fully & freely debated when ~~[illegible]~~ and that the S of S. will consider

Copy cons Govr 16 Jan 09 Jan 14 Dec 1908

Previous Paper.
Govr 46514

any objection to the Bill then
urged before ~~[illegible]~~ the further
proceedings ~~[illegible]~~ it is brought into
Justice

22/12

The Principal Secretary of State,

The Colonial Office.

Crown Lands Bill 1908, E.A.P.

My Lord,

With reference to the Crown Lands Bill 1908 of the B.E.A. Protectorate I venture to submit the following points for your consideration.

Land has no financial value.

Land in the Protectorate has to-day no financial value.

For instance a man taking up a 5000 acre farm requires under government Regulations £1000 capital. Before he can (financially speaking) pay rent he must make per annum over and above his outgoings for labour, seed, etc.

Own remuneration for work, profit and administration: (say)	£200
Interest on £1000 at current mortgage rate (10%)	100
Depreciation, insurance against fire, theft, disease etc.	150
	£450

If he clears £450 p.a. he is then in the same financial position as another man working for a salary and lending his £1000 on mortgage.

Any sum which he may make in excess of £450 may be reasonably considered as the annual rack-rental value of his land.

No man is as yet clearing £450 a year from a

5000 acre farm with a capital outlay of £1000. A few have made money by jobbing in stock or gambling in potatoes for the Johannesburg market, but these are merely 'dealing' operations and in nowise constitute land-value. A few have made more than a bare living by dairying or wood-cutting for Nairobi and in these cases some land-value may be reasonably conceded to their particular holdings by virtue of their suitability for these specific functions, but a very slight increase of effort would create a glut and the advantage might disappear. A reasonable number are making a bare living out of their land but no interest on the money they have invested.

In wider spheres The East African Syndicate has spent enormous sums and secured no return: Lord Delamere has spent more than £30,000 and drawn no interest: Lord Hindlip has spent £10,000 and drawn no interest: I have spent nearly £25,000 and have recurrent liabilities in excess of any returns to the extent of £600 p.a. apart from development obligations.

These facts are supported by H.E. The Governor's generalization in his despatch of 27th March 1908 (Cd. 4122. p. 26): "Settlers are beginning to realise that farming in the Uplands is not the paying proposition they thought it would be, and I regret to say that after two bad seasons a number of the poorer settlers are nearing the end of their tether: . there is, I fear, a good deal of distress....."

There are to-day a number of farms on offer

at figures considerably below the capital sums expended thereon.

'Selection' value.

Despite the absence of any 'financial' value men will always be found ready to pay some price for a particular area of land which appeals to them for residential or other reasons. This price, which may be termed 'selection' value, has no reference to intrinsic value and exists exclusively in relation to personal peculiarities.

It accounts for the majority of the land-sales effected in the Protectorate at a premium above the Government Terms.

'Prospective' value.

All selectors necessarily count upon a prospective or future value for their holdings in excess of the price which they pay.

It is this prospective value alone which can reimburse them for their inevitable initial losses and provide the source of their ultimate profit in their venture.

Without this prospective value no incalculable venture will be undertaken; the selector will rather work for a certain wage and invest his capital in proved concerns or mortgages.

Government prices and rentals the result of monopoly.

Since, then, there is no ascertainable financial value in the Protectorate's land, and prices, so far effected, are in the main the measure of personal peculiarities, it follows that the prices and rentals imposed by the Government are the equivalents of personal idiosyncracies or monopoly prices.

The Government holds or has held all the land and has therefore been in a position to enforce a monopoly price.

It cannot be doubted that if land had been freely offered in open market without reserve, the price obtained would have been much lower than the terms imposed.

Land within 10 miles of the Railway is leased at 1d. per acre which capitalizes (at 20 years purchase) at 1/8 per acre.

Within the last few years I have been offered any quantity of land in Rhodesia at from 3d. to 1/- per acre freehold, and quite recently I have been offered an enormous tract of freehold land on the foothills of the Argentine Andes at 6d per acre. The general economic conditions of the latter are much better than those as yet prevailing in East Africa.

Two years ago a Queensland property of 800 square miles changed hands as a 'going concern', and in respect of an argument as to the [illegible] of East African land I calculated this property into its East African equivalent. The calculation showed that a free gift of the land, fences and buildings and a bonus of £40,000 would be required to provide the same economic position in East Africa as that sold in Queensland. The difference arose from the respective cost-prices of cattle and sheep in the two countries.

In further proof of the monopoly element in prices imposed in East Africa, I would refer to the sharp fall in land prices which has generally accompanied any recent Government sales of land. It may be concluded, then, that land-values are generally non-existent, that rents exacted by

Government are monopoly rack-rents and excessive: that tenants' holdings therefore have no premium land-value and that the entire actual and some prospective annual value of the land is vested in the State. There is in fine nothing with the semblance of 'unearned increment'. Any tax, then, imposed in relation to land is a tax not on land but upon the person or the personal belongings of the individual who already pays the full annual value of the usufruct of such land.

1908 Bill.

The Crown Lands Bill of 1908 proposes to reduce the existing tenure, to raise rents and to impose a 'land-tax' ranging from .8% up to 1000% of the annual rack-rent value of land and payable by the tenant. It defines the per acre rental of land as:

	1-33 years	33-66 years	66-99 years
1st class	3d.	5% of unimproved value	
2nd class	2d.	not to exceed	not to exceed
3rd class	1d.	9d.	2/3
4th class	½d		

and the conditions as an expenditure of 40 times the rent within 5 years, which is equivalent (on 5% basis) to double the capital value of the land.

and Tax proposals of the Bill.

If we suppose that A acquires a lease of 10,000 acres of 1st class land and B acquires a lease of 60,000 acres of 4th class land and that the unimproved rental value for the second period is assessed at 9d. for 1st class and 1½d for 4th class land and for the third period at 2/3 for 1st class and 4½d for 4th class land, the following anomalies arise:

N.B. A and B hold equal values of land and have

equal improvement conditions viz. expenditure of (40 x 10,000 x 3) d = £5000]

	10,000 acres 1st class land.	60,000 acres 4th class land.
t Period.		
	pays rent (at 3d) £125	B pays rent (at ½d) £125
	nd tax (at 1/3) £156.5.0	and tax (at 5/-) £625
	ncome tax equivalent)) - 12/6 in the £1.	income tax - 50/- in the £.
	n basis of 5% of £5000)	
nd Period.		
	pays rent (at 9d) £375	B pays rent (at 1½d) £375
	nd tax (at 2/6) £937.10.0	and tax (at 10/-) £3750
	ncome tax - 75/- in the £.	income tax - 300/- in the £.
rd Period.		
	A pays rent (at 2/3) £1125	B pays rent (at 4½) £1125
	and tax (at 2/6) £2812.10.0	and tax (at 10/-) £11,250
	income tax - 225/- in the £.	income tax 900/- in the £.

[In the foregoing table I am presuming that the words 'the land tax shall be four times the rent mentioned in the schedule' (Clause 137 (b)] are intended to mean 'four times the rate mentioned in the schedule', since no other interpretation is possible.]

It must be obvious that such a tax which has its incidence on tenant's improvements, actual or prospective, must mean the instant annihilation of the community.

It is in no sense a land-tax since the payer has no interest in land other than a usufruct under rack-rental; and a tax however small on tenant's improvements is difficult of justification in a new and undeveloped country.

eral conditions
the Bill.

The whole spirit of the Bill, whereby through the Government as sole landlord exaggerates on its own behalf all the much decried evils of dual tenure, is provocative of mistrust and a sense of insecurity of tenure.

It must be remembered that, from the practical point of view, if the Government is sincere in its expressed desire for effective settlement, the competitive attractions of Canada, Argentina and the Australasian States must be faced.

These countries offer freehold tenure on extended payments and every form of constructive administration and State-subsidized financial assistance. Their economic conditions are a century in advance of those prevailing in East Africa and, where they offer a proved and calculated proposition, East Africa offers a long and terrific fight against unknown odds, the privilege of undertaking which is rack-rented from the start and the entire profits of which (if attained) are in advance ear-marked for the State. There are only three classes of persons who can be expected to take up land under such onerous conditions.

(1) Those who come to the country without advance knowledge of the conditions and being committed must make the best of their mistake.

(2) Those who having a private income look upon the country as a pleasant residential sphere.

(3) Boers who by virtue of their mobility and method of living, will take any tenure which gives them a base for hunting. They will, in fine,

live on the game and exhaust the most fertile spots of their holding, and either sell out, if occasion offers, or move on.

Exclusion of Stock and implements from schedule of improvements.

In particular, a development condition of a capital outlay on permanent and fixed improvements equivalent to 40 times the rent is terribly severe, while the exclusion of stock and agricultural implements from the schedule of improvements would preclude the best class of settler from taking up land.

It must be remembered that permanent and fixed improvements such as houses, sheds, fencing, dips etc. give no monetary returns except by virtue of their indirect effect upon the returns of the dynamic elements in production,— stock and implements. They are refinements which the settler counts upon effecting from the profits of his stock and crops.

The enormous flocks and herds of Australia and Argentina were built up with but a negligible capital outlay in permanent improvements, which only became a conspicuous factor when general consolidation of the economic position forced a concentration of effort upon defined and relatively inelastic areas.

The whole of the great wheat industry of Argentina is to-day associated with no fixed capital outlay. The wheat farmers live in mud huts. The same applies to the new wheat zones of Canada.

The Bill bristles with the menace of eviction

Telegram despatched 14 Oct 08.

Colonial Office London

It will be impossible to carry out the Delimitation of the Frontier West of Lake Rudolf this season. Should there be any further delay beyond the end of December the Caravan which will be ready then will be disbanded. If necessary I can take Ulanda but on arrival find that Boundary Commissioners have not been appointed & consider advisable that the work of marking should be carried out without them.

Should the despatch of Grant & Jackson to the Expedition be left thence of the Boundary Commissioners are not appointed by Dec^r

The letter is in reference to a telegram dispatched by K Alb. to Sir E Grey & the foreign Office this day.

Eagles

Telegram despatched 14 Oct 08

Colonial Office London

It will be impossible to carry out the delimitation of the Northern boundary of Lake Rudolf this season. Should there be any further delay regard the task of demarcation the Eastern section will be much more difficult. If necessary I can wait for results but on arrival find that Boundary Commissioners have not been appointed & consider advisable that the work of demarcation should be carried out without them.

Should I be stopped at Gnar I recommend to the Expedition be kept alive of the Boundary Commissioners are not appointed by Dec 1st.

The letter is in cipher & is telegram dated 14th Oct & 3rd October to the Foreign Office this day.

Eaton