

EAST AFR. PROT.  
No. 35073

C. O.  
3073  
3 OCT 07

(Subject.)

1907

Local Purchase of Coal for "Juba"

Indisputable copy covers which arose in a letter from Messrs. Co. of Commerce respecting a purchase of 1000 tons of coal through local agents instead of through steps will be taken in future to avoid anything but the best coal to be used.

(Minister.)

McKean

The price of 4 1/2 per ton delivered compares on the face of it with the cost of carriage, & it is not surprising that Mr. Mackenzie should be inclined for purchasing it from Smith Mackenzie & Co. instead of through the Dept., though he ought to have checked the prices current of the district. The facts seem to be that Smith Mackenzie & Co. are

in any case masters of the situation  
see per 2 of 1st end to 34201/06) so  
they possess the only facilities  
for handling the coal & can  
charge freely with what they like  
& can also sue for damage  
on the manager of a cargo of  
coal by debasing the freightage  
I think while offering the  
Gov's view of this particular transac-  
-tion we should ask him to  
consider with the Genl. Manager  
the question of obtaining coal for  
the Railway & the Govt. dep'ts  
in the most economical way, show-  
-ing that the Railway shd. if  
ever cooperate with other dep'ts in  
such a matter - we do not  
always seem to have had the  
practice to judge from Mr  
Massey's letters, & a fact to  
the P. & S.

7/10/06

Mr. Antrobus

So please

H. J. N.

Governor's Office,

Nairobi.

September 3rd 1907.

EAST AFRICA PROTECTORATE.

CONFIDENTIAL (57)

(Incl. 7)



My Lord,

I have the honour to transmit herewith for Your Lordship's information copies of correspondence which has passed between my office, the Treasurer, the Chief of Customs and the Mombasa Chamber of Commerce in connection with a purchase of coal for the E.S. "Juba" made by the Customs Department from Messrs. Smith Mackenzie and Company without calling for tenders.

I am satisfied that the purchase in question was made by Mr. Herden in the best interests of Government and that in point of fact money was saved in consequence of his action. The manner in which the purchase was effected was, however, somewhat irregular and greater care will be taken in future to

avoid

H.M. PRINCIPAL SECRETARY OF STATE

FOR THE COLONIES,

DOWNING STREET,

LONDON, S.W.

30  
avoid anything calculated to lay the Department open  
to criticism. As a matter of fact the Chief  
of Customs did consult the Acting Commissioner with  
regard to this ~~proposal~~, but did not obtain his  
formal sanction.

3. In the present case the strictures which have  
passed on the transaction are, I think, unjustifiable  
and initiated by the Editor of the African Standard,  
who thought he saw an opportunity for an attack on the  
Customs through the Nombasp Chamber of Commerce, of  
which he has till recently been the leading spirit  
and practically the only European member.

4. That body has now, however, been reconstituted  
and has secured the adhesion of the principal British  
and Foreign Firms. It may, therefore, be confidently  
assumed that its policy will in future be more personal  
and more public spirited.

I have the honour to be,  
with the highest respect,

My Lord,

Your Lordship's most obedient,  
humble servant,

*J. P. [Signature]*

In Despatch No. 17 of Sept. 2, 1907

COPY.

Zombasa,

11th July 1907

35073  
REC  
3 OCT 07

His Excellency  
the Governor in Council,  
East Africa Protectorate,  
Nairobi.

Your Excellency,

I am instructed by resolution passed at the last ordinary meeting of the Zombasa Chamber of Commerce to ask Your Excellency in Council whether our Administration has decided to purchase articles required for Government use through local agents or whether the system of purchasing through the Crown Agents still remains in force.

I am also instructed to draw Your Excellency's attention to the transaction published in the Press as to the purchase of a large quantity of coal from a private firm by the Chief of Customs and to ask Your Excellency that if this transaction is accurately reported whether any tender is called for the supply of this coal, and if this price for the coal eventually reached the Government and further if Chamber would be glad to know whether transaction of such magnitude can be entered into in the manner reported.

I have, Sir,  
Yours faithfully,  
Sd/- S. M. DALAL,  
Honorary Secretary.

ENCLOSURE No. 2

In Despatch No. 5767 of 30th July 1907

DUPLICATE

341

The Treasury,

Mombasa. 16th July 1907.

G.O. No. 17/88

C. D.  
35073

Recd  
18th 3 OCT 07

Sir,

I have the honour to enclose for the information of His Excellency a copy of a letter I have received from the Chief of Customs, as the subject of a recent purchase of coal from Messrs. Smith Mackenzie & Co. for the S.S. "Juba".

As you are doubtless aware, a coalshed was erected last year for the Customs Department so that the Chief of Customs is now in a position to accommodate a whole year's supply, instead of, as in the past, purchasing locally in small consignments as occasion required.

The Chief of Customs seeing an opportunity of obtaining a whole year's supply of coal at a very low figure closed with Messrs. Smith Mackenzie & Co.'s offer and I have passed for payment their account

THE HONOURABLE

THE ACTING SENIOR COMMISSIONER,

NAIROBI.

12/552  
17.07.

for 1904-05 for 1025 tons of coal at 22.10.0  
 22.1.0 as stated in enclosed letter, per ton.

During the year 1904-05, 920 tons were  
 purchased in small consignments @ 22.10.0 or,  
 allowing for the cost of putting the coal on board  
 the "Juba", @ 22.12.6 per ton net. This was over  
 25%<sup>5/1</sup>, vis 12/6, per ton, more expensive than the  
 recent purchase. But in addition to the question  
 of cost there are other questions to be taken into  
 consideration, e.g. responsibility for loss through  
 deterioration or fire, which would not have to be  
 considered under the previous system of buying coal  
 for the "Juba".

I am, however, of the opinion that had  
 Mr. Marsden previously applied for sanction for this  
 transaction it could have been granted as a special  
 case, as it would probably have been too late to  
 communicate with the Crown Agents in time to secure  
 the advantages of the special cheap freight which  
 enabled Messrs. Smith-Mackenzie & Co. to offer the  
 coal at so low a price. But, in view of paragraphs  
 168 to 172 of the Financial Regulations, I consider  
 that he should first have obtained the necessary  
 sanction from His Excellency. Although he may have  
 been specially authorized to purchase coal locally  
 in small consignments as occasion required from

(S)

Messrs. Smith, Mackenzie & Co., I do not consider that he was justified in departing from that practice and, on his own responsibility, giving so large an order to a firm of Agents in the Free-estate for the supply of a commodity procured from England.

I have the Honour to be,

Sir,

Your most obedient Servant.

(SD) C.G. BOURING.

Treasurer.



C.A.S.

RECEIVED JULY 1899

I have the honor to refer to a communication  
 of January 2nd concerning a contract for coal with  
 the United States Engineers and Co. for supplying  
 the U.S. "Albatross" and I enclose you an extract of  
 to my own use and the information of the  
 Agents for the Contract.

2. On the 27th January last I visited the Engineer  
 as Engineer for the coal of the "Albatross" and the  
 Agents and we received a reply from the former  
 through which the latter said that our requirements  
 should be met by delivering on the 1st of February next.  
 I think, I was further informed although it does not  
 appear in the correspondence that the coal was to  
 come from a country to which a duty of 10% on the  
 freight would consequently be paid.

3. From the enclosed herewith which I forwarded  
 in that year to Mr. [Name] etc. you will observe that  
 it will be seen that very great quantities  
 are suffered through delivery on the 1st of February next  
 [Name] [Name] [Name]  
 [Name] [Name] [Name]  
 [Name] [Name] [Name]

*See Mr. [Name] &  
 July 1899  
 and [Name] 2/1/1899*

Respectfully,  
 [Name]  
 [Name]

and finally paying an excessive price to the Railway  
for the balance of an lot of expensive coal which they  
purchased with the understanding that they had been  
conceding their business half and the whole the price  
in stages.

In the case of my father after making these  
representations I was requested to refer to our  
former agent of purchasing machinery and coal  
Messrs. W. H. Williams & Co. of the Admiralty contract  
price.

4. At the commencement of this year Messrs. W. H.  
Williams & Co.'s stock of coal was running short and  
so far as our own requirements were concerned I  
informed them that I considered it would be much more  
economical if we bought our requirements for the year  
outright. They then obtained an offer from them for the  
Quarry coal at 25/- per ton, the same price as had  
been paying for the previous year.

With the low price of freight then ruling I  
reflected that I considered the price excessive and requi-  
red amending. I made arrangements with the Quarry  
The Messrs. W. H. Williams having advised that a large  
quantity for the same quantity as the above  
Messrs. W. H. Williams and Co.'s agents in London were  
themselves in a position to make us a preliminary  
arrangement after by shipping coal in the same manner  
(should it be) with the price of 25/- per ton.

With this offer I should not have hesitated to be  
lay down in London with coal at 25/- per ton.

5. If to this is added 2/- per ton which is the  
quantity sent to lighten the coal to the Quay, the  
total cost to us will be 27/- as against 25/- in the  
previous year or a saving of 2/-.

6. It may be perhaps be wished that Gaudin should  
have been invited down from Paris in 1871 for the con-  
ference but again from the fact that there is no mention  
of his name in the list of those who attended and in the  
list of names on the card containing the programme  
of business and in an especially strong sense the  
fact is the stronger proof I think it would have  
been better to have invited him.

I have the honor to be,

Sir,

Your most obedient servant,

(Sd/-) A. Gaudin

Paris or Geneva.

MURRAY.

11th July 1899.

Dear Mr. Crawford,

I have received an intimation from the Treasurer that our indent for 1000 tons coal for the "Juba" S.E. has not been executed in consequence of Sir Lord Salisbury stating in his despatch No. 58 of 27th May, that whatever coal is required should be purchased from the Uganda Railway.

If this is final it will mean that our estimates for providing the "Juba" with coal will required to be increased from Rs. 35,000 to Rs. 40,000 as under pressure from Sir Arthur Hardinge, when the estimates were being reduced to their lowest figure I pointed out if the Protectorate had a free hand in the purchase of coal for the S.E. "Juba" and we could keep our own stock a saving of Rs. 5,000 would be effected.

For the last few months the S.E. "Juba" has been taking her coal from Smith Mackenzie as I have found it at cheaper than what the Uganda Railway were charging us by one or two rupees per ton.

The Uganda Railway add on 10% to what they calculate the coal has cost them; no matter whether the coal has only just arrived or whether it has been in stock some time and during the time we drew our supplies from them they were so constantly running short, that I felt it was always asking a favour to indent for any coal, and on the occasions when they could not supply us and we were thrown back on Smith Mackenzie and Co. <sup>they were the only suppliers to me that Sir A. Hardinge & Co.</sup> did not charge us an excessive price instead of only charging us the same price that the Navy were paying.

Towards the end of 1898 when there was a war scare on, the Railway ran short of coal and had to buy something like 200 tons to carry them on until their next coal ship arrived. After it was discharged, I indicated for coal and the Railway transferred their supplies lot to us costing over 25/- a ton and gave us no advantage of the new and cheaper lot which had arrived. There were also constant disputes about weight which I found very unpleasant.

After the foregoing experience I placed my views before Sir Arthur Hardinge and he entirely concurred in thinking that by keeping our own store we should not only effect an economy, but be able to maintain a regular supply without the accompanying uncertainties which we had had hitherto.

As the matter stands at present the Railway sell their coal dearer than a private firm depending on its profits for its existence.

Yours faithfully,

(Sgd.) A. Muredan.

S.S. 8/140.

Bombay, 17th October, 1899.

C.E. Crawford, Esqr.,

H.M.'s Acting Commissioner &amp; Consul General,

BOMBAY.

Sir,

I have the honour to bring to your notice that 1000 tons coal were indented for through the Crown Agents on 28th January 1899, to supply the S.E. "Juba" cranes, and steam launches of the Protectorate and that a Foreign Office despatch No. 58 dated 27th May replied that such requirements should be filled by requisitioning coal from the Uganda Railway.

Since the receipt of that despatch our requirements have been supplied by the Uganda Railway until the present when the chief store keeper writes that the stock of coal is so limited that he is unable to fill a recent indent made on him for coaling the "Juba" and that he will be unable to supply any until a month hence when the next Railway Chartered Steamer is due.

I beg to bring to your notice that the reasons why the indent for 1000 tons coal was made on the Crown Agents were as follows:-

1. A notice was necessary before coal could be obtained from the Railway and economically we had to pay demurrage on lighters which would not have happened if we held our own stock.
2. The Railway had sometimes only sufficient to supply their own requirements in which cases we had to fall

back on

back of obtaining supplies from Messrs Smith, Mackintosh  
and Co., a local firm and pay them whatever price they  
asked.

3. The railway charge 10% more than we can provide  
our own coal for.

4. In preparing the estimates for the current year  
I reduced the estimate for our coal bill by Rs. 8,000  
on the understanding that the Protectorate would keep its  
own stock of coal imported at best price.

As the Railway have again placed us under the  
necessity of going back to a local firm for our coal  
requirements and paying an enhanced price I beg that  
you will request His Lordship to sanction the fulfilment  
of the original indent for 1000 tons.

I have the honour to be,

Sir,

Your most obedient servant.

Chief of Customs & Shipping.

INCLOSURE No 30

In Despatch *Conf 17 of Sept 2nd 1907*

321

Number 1714 July 1907.

35073

REC  
No 3 007 07

No. 38

sir,

I have the honor to inform you that the Honorable  
Treasurer has denied me copy of his letter No. Customs  
17/80 of the 16th instant, addressed to yourself and  
as reference is made in the letter to financial  
instructions which are possibly drawn from you some  
remarks I beg to tender herewith an explanation on  
the matter.

I was staying in Calcutta at the time the coal  
contract was made and I mentioned the circumstances  
connected with it to the honorable member who  
expressed his approval of a satisfactory contract  
to the Government having been concluded.

It appears now that I ought to have  
exchanged a letter with the honorable member  
who was sitting in the next room and in railing to do  
this I admit I erred.

I have the honor to be

sir,

Your most obedient and  
able servant

(Sd)

Chief of Customs.

Honorable  
Acting Secy. Commissioner

Calcutta





Governor's Office,

Nairobi,

July

C.O.  
24th 1909  
35073  
1909 OCT 07

I am glad to receive the receipt of your letter of the 10th inst. and to inform you in reply that His Excellency the Governor will be happy to reply to any reasonable enquiries made on behalf of the Bombay Chamber of Commerce when that body is so reconstituted as to be really representative of the mercantile interests of the Colony.

His Excellency the Governor, His Excellency scarcely considers that the Chamber of Commerce possessed and he understands that at the present meeting which authorized the communication now under reply there were present the Suites of the African Standard, yourself and five other natives of India, none of whom could be considered to take as a Government coal contractor.

His Excellency, however, sees no objection to inform you that, so far as the transaction which you are concerned, he is quite satisfied that the Government was neither directly nor indirectly concerned.

H. J. MORSON,  
Acting Secretary.

To Hon. Secretary,  
Bombay Chamber of Commerce,  
Bombay.

MEMO

Mombasa

August 19th 1907

35073  
3 OCT 07

His Excellency  
The Governor in Council,  
Mombasa.

Your Excellency,

I have the honour to say that the letter of the Secretary to the Government dated the 24th ultimo in reply to a communication from myself, instructed by the Chamber, was placed before a meeting of that body held on the 14th instant, and the following resolution was unanimously passed which is directed to communicate to Your Excellency. I am sending also the press cuttings referred to in the last part of the resolution.

In view of the fact that for the past four years petitions from this Chamber have been received by His Excellency the Governor and by former Commissioners when important questions relating to East Africa were discussed and that His Majesty's Government has thereby recognized this body, the Chamber feels that it should have been found necessary to address the letter of the 24th July in the manner in which it has been done. His Excellency's informant, on whom His Excellency proceeded to rely as to the allegation that any of the Merchant Firms of this Chamber, present at the time of the discussion of the above deal transaction being unable to carry out a settlement said contract, was quite inaccurate. The Chamber does not consider the question to be another

whether any of the members of the Chamber were able or unable to carry out a similar course of such importance, as the Chamber instructed the letter to be sent in order to obtain certain information, to which, in the opinion of the Chamber it was entitled. As the Chamber considers that the particular coal contract under review was entered into contrary to the Gasetted rules, and contrary to the general commercial interests of those whom the Chamber represents, it be an instruction to the Secretary that he write and request His Excellency the Governor to forward copies of the said correspondence and press cuttings to His Majesty's Principal Secretary of State for the Colonies, for his consideration, together with a copy of the resolution.

I have Ac.,

Sd/- G. L. DALAL,

Secretary & Treasurer.

20.7  
Aug 5th Sept 3rd '10

C O  
35073

REC'D  
REC'D OCT 07

325

## A Case for Strict Enquiry.

### The Juba Coal Transaction.

#### When Were Tenders Called?

Is this result of Churchill's careful consideration?

By the German East African Company's new ship 'Khalif' one thousand tons of coal have arrived for the British Government of the East Africa Protectorate. We have endeavoured to obtain all possible information with reference to the whole transaction from the original purchase of the coal to its delivery at Kilindini. At the Treasury we were unable to ascertain the price to be paid for the coal, no official information as to the details of this purchase having yet been received but at the Customs Offices we were able to ascertain that the coal was for the S.S. 'Juba' and was contracted for by Messrs. Smith Mackenzie and Co., Mombasa at a fixed price landed at Kilindini.

We have written to the Administration asking for information, which we may place before the public, as to the following—

Why this 1000 tons of cargo destined for a British Government was carried in a Foreign bottom?

Was the cargo offered to the British East Africa Line or the British India?

If so at what rate of freight?

How much was calculated for freight in the bargain between Smith Mackenzie and Co. and the Chief of Customs?

Why was this one thousand tons of coal not purchased through the Crown Agents?

Why was H. E., the Governor's ruling as to calling for tenders waived in this instance?



Gov SAMP  
35073

10

11 October 1907

Sir

DRAFT

Capt. P. C. C. C.  
for  
W. Col. J. H. H. H.

MINUTE

- Mr. Bostwick 9/10
- Mr. Reed
- Mr. J. J.
- Mr. Andrews
- Mr. G. G.
- Mr. Lucas
- Sir F. Hopwood
- Mr. Churchill
- The Earl of Elgin

I have the honor to  
ack. to you of your  
conf. dated no. 57 of  
the 5th of Sept., on the  
subject of a local  
purchase of coal for the  
S.S. "Juba."

2. While I agree in your  
view that, although the  
action of the Chief of  
Customs ~~is~~  
is ~~not~~ ~~entirely~~ ~~correct~~  
irregular, the purchase  
was made in the best  
interests of the Govt., I  
shall be glad if you  
will consider with the  
General

General Manager of  
the Railway the question  
of obtaining coal for  
the Railway and other  
Govt departments is

the most economical  
they need to be  
when you have done  
so. In such a case the  
Railway should of course  
co-operate with other depart-  
ments, <sup>and suggest</sup> ~~all things~~  
to do so  
rather than ~~to do so~~  
rather than ~~to do so~~  
change over  
not give the cooperation  
to the point

2