Principals and Agents: The Crown Agents for the Colonies 1880-1914

The Office of the Crown agents acted as the UK commercial and financial agent of the Crown colonies, supplying all non-locally manufactured stores, organising the provision of external finance, supervising the construction of infrastructure, and performing various personnel services. Although under the supervision of the colonial Secretary, who appointed the Agents and fixed their salaries, the Office, through a system of charges for work done, was financially and administratively independent of the government.

The thesis examines the Office from the perspective of principal-agent theory. It is argued that the Agents at the start of the period maximised their self-interest through the provision of a quality, but costly service, which reduced the likelihood of colonial criticism and the reorganisation/closure of the Agency, and increased its commission income. As they had difficulty monitoring costs and the loss suffered was relatively small when compared to the potential cost of the supply of poor quality goods/public works, both the Colonial Office and colonies tolerated the Agents' behaviour. In the late 1890s, however, the situation changed. A fall in the Office's receipts led the Agents to become more concerned with the maximisation of income. They thus began to use their advice to the Colonial Office to influence policy for their own benefit. As a result, costly and uneconomic railways were constructed, the price of purchases rose still further, and high cost loans were issued. The colonies, whose interests were threatened by the Agents' behaviour, increasingly lobbied the Colonial Office to take action, and in 1908 the Secretary of State set up an enquiry that led to widescale reorganisation of the Agency.

Abstract

The Office of the Crown Agents acted as the UK commercial and financial agent of the Crown colonies, supplying all non-locally manufactured stores required by colonial governments, organising the provision of external finance, supervising the construction of infrastructure, and performing various personnel services. Its importance lies in the vital role it played in colonial economic development and in its unique relationship with the UK government and the compulsory nature of its services. Although under the supervision of the Secretary of State for the colonies, the Office was financially and administratively independent of the government, covering its expenditure through a system of charges. Moreover, despite the prevailing ethos of laissez faire and free trade, the colonies were forced by colonial regulation to purchase goods from the Agency, and were prevented by the Colonial Office from performing any of its other services themselves.

Until the present, little has been written about the Agents, in part because of a misconceived belief that there is little source material available. In fact, although much of the Office's archive was destroyed in the late 1960s, many files survive. The most important papers were retained by the Agency, and a large number of files had previously been transferred to the Public Record Office or mistakenly lodged in the Agents' Liverpool store and thus escaped destruction. Furthermore, the vast majority of the Agents' correspondence with the Colonial Office and colonies is still available, though scattered and difficult to access, in the Colonial Office correspondence files at the PRO. Relevant accounts, papers and correspondence are also held by the Bank of England, the National Westminster Bank, the British Museum and a number of other institutions.

A second reason for historians' neglect of the Agency is the belief that it performed its duties effectively and efficiently, and played only a technical role in colonial development. L.H. Gann and P. Duignan, for example, conclude that the Agents performed 'their tasks well and effectively'.[1] L.E. Davis and R.A. Huttenback

[1] L.H. Gann and P. Duignan, *The Rulers of British Africa 1870-1914* (Stanford, 1978), p. 70.

estimate that the Office's purchasing monopoly netted price reductions of approximately 10% and its handling of colonial loans reduced flotation costs by 1%.[1] While, although R.M. Kesner and J.M. Carland accept that the Agents might occasionally have 'entered into disputes on policy implementation', both reject the possibility that they had a major influence on policy decisions.[2] The thesis challenges this view, arguing that the Agency, through its technical advice, greatly influenced policy. and that, though it provided a far superior service to the one that would have been available if the colonies or Colonial Office had performed its role, its work still left a great deal to be desired.

The Agency is examined from the perspective of principal-agent theory, which assumes that all agents are self-interested and wish to maximise their welfare through the provision of less than maximum effort or fraudulent behaviour. Principals therefore have to guard against adverse selection, the capacity of agents to hide information prior to signing a contract, and moral hazard, the tendency of agents to pursue interests incompatible with those of their principals after a contract is signed. Both problems can be countered through the adoption of various strategies. Principals can recruit only those agents whose abilities can be easily discovered, pay a premium above the market rate for their services, which increases the cost of dismissal for opportunism/shirking, and closely monitor their actions. Similarly, a network of trust can be established through the creation of interlocking obligations and commitments, and agents can be required to provide sureties, which again increase the cost of opportunism.

The Crown Agents were at the centre of a number of principal-agent relationships. The Agency was an agent of the Colonial Office and colonies, and the principal of its staff and its suppliers and service providers, who also acted as principals. The thesis argues that the Agents maximised their self-interest through the provision of a quality

[1] L.E. Davis and R.A. Huttenback, *Mammon and the Pursuit of Empire* (Cambridge, 1986), p. 188.

[2] R.M. Kesner, 'Builders of Empire: The Role of the Crown Agents in Imperial Development 1880-1914', *Journal of Imperial and Commonwealth History*, V (1977), p. 326; J.M. Carland, *The Colonial Office and Nigeria 1898-1914* (London, 1985), p. 201.

but costly service, which reduced the likelihood of colonial criticism and the reorganisation/closure of the Agency, and increased its commission income. On a more personal level, the individual Agents acted in their own self-interest, employing relatives and friends as staff and service providers and taking directorships in the Agency's insurance company. Until the late 1890s, the Agents' self-interested actions were compatible with the interests of their principals and thus did not constitute moral hazard. Both the Colonial Office and colonies had difficulty monitoring costs, and, when this was not the case, tolerated the greater expense as the loss suffered was relatively small when compared to the potential cost of the supply of poor quality goods/public works. As regards the Agents' nepotism and directorships, the colonies were unaware of their existence and the Colonial Office turned a 'blind eye', realising that such practices minimised staff/service provider adverse selection/moral hazard and reduced the likelihood of major Agent fraud. In the late 1890s the situation changed. The Agents receipts fell and they became more concerned with the maximisation of income than with the provision of quality. They thus began to use their advice to the Colonial Office to influence policy for their own benefit. As a result, costly and uneconomic railways were constructed, the price of purchases rose even further, and high cost loans were issued. The colonies, whose interests were threatened by this behaviour, increasingly lobbied the Colonial Office to take action, and in 1908 the Secretary of State set up an enquiry that led to the widescale reorganisation of the Agency.

The thesis is divided into an introduction, seven chapters and a conclusion. After a short history of the Office from its formation in 1833 to 1880, the first chapter describes how the Colonial Office and Crown Agents attempted to limit respectively Agent and staff adverse selection and moral hazard. Both carefully recruited and monitored their agents, required them to provide bonds, and, with varying degrees of success, attempted to build networks of trust. However, whereas the Crown Agents received high salaries, their staff obtained wages slightly below those paid to civil servants completing similar work, though they received higher pensions, more generous life insurance and various bonuses. Free from the constraints of government, the Agents also recruited many of their clerks from amongst friends and relatives, thus reaping the economic advantages of nepotism.

Chapter two examines the Office's purchasing role. It is shown that many colonies circumvented the Agents' monopoly of government supply and bought large amounts of goods from merchants. Wishing to maintain good relations with governors, the Agents ignored their infringements until the late 1890s, when, needing to maximise their income, they began to strictly enforce the regulation. The goods purchased by the Agents were relatively expensive. In theory, materials were bought through competition. In reality, many were obtained directly from a limited number of manufacturers who could be relied upon to supply good quality articles, but charged high prices. The Agents also bought from merchants and were reluctant to acquire materials in bulk, in advance of needs, or from foreign suppliers, which again led to high prices. Costs were further increased by their relatively high purchase commission, the labyrinthine inspection procedure, and the high fees paid to their shipping agents and solicitors, who were relatives of Agents. In addition, they negotiated relatively poor shipping rates, and paid their insurance company, of which from 1899-1904 the Senior Agent was a director, high premiums.

The Office's financial activities can be split into two broad areas - the provision of external finance and the investment of colonial funds lodged in the UK. The Agents provided Crown colonies with external finance in four ways. They publicly and privately issued colonial London loans, organised the conversion of issued debentures/stock, provided colonies with overdrafts and short-term loans from colonial UK balances and banks, and, from 1899, administered colonial Treasury loans. For the Agents, the successful flotation of loans was of vital importance, as the issue and management commissions provided a large part of their income. The loan proceeds also financed infrastructure construction on which they depended for much of their workload and status, and, if not immediately required by the issuing colony, could be lent to other colonies for the finance of UK purchases/construction projects, which again benefitted the Agency. Chapter three describes the methods adopted by the Agents to ensure the successful flotation of public loans, and how, by allowing their brokers to purchase large blocks of each issue, they prevented City institutions using stock holdings to manipulate the price of future loans. The chapter also discusses the other methods by which colonies were provided with external finance, Colonial Office and colonial monitoring of the Agents' activities, and the fees charged by the Agents for their services.

The following chapter continues the financial theme and examines the provision of external finance during the period 1898 to 1914, and the Agents' investment activities. Anticipating cheap Treasury loans, Chamberlain in 1898 ordered the Agents to halt all issues and meet colonial construction expenses through short-term loans. In the event, the Agency decided that the Treasury loans offered should largely be rejected, partly because of the Treasury's insistence that they should incorporate a lien on the borrowing colony and carry a relatively high interest rate, but mainly because acceptance would have carried a real and opportunity cost for the Agents. The Agency would have had to receive, pay the interest and redeem the loans for no reward, and would have lost the fee and associated commissions earned from raising the capital required on the market. The rejection of the loans left the Agents in a quandary. A large proportion of colonial UK balances had already been advanced, and the Boer War-induced market collapse prevented them from turning to the City for funds. They consequently began to finance colonies with colonial contributions to UK investment Funds, the proceeds of sales of Fund securities, and, in West Africa, private money. Thankfully for the Agents, by late 1901 the market had recovered sufficiently for them to again issue loans. It was discovered, however, that there was little demand for the backlog of stock offered. To increase subscription they therefore began to issue fixed price loans and short-dated debentures convertible to inscribed stock, which offered extremely generous terms; arrange for Bank of England purchases of stock; and bought portions of loans themselves. Their efforts, however, had little effect on subscriptions, with the result that the Colonial Office, dissatisfied with their performance, increasingly began to intervene in their activities.

The remainder of the chapter assesses the success with which the Agents invested colonial current account surpluses and contributions to UK colonial Funds. Generally, they followed a low risk investment strategy, depositing current account surpluses only with the Bank of England and London and Westminster Bank, and placing investment Fund contributions in safe, largely colonial, stock. To avoid capital losses during market falls, Fund securities were sold either to other Funds that belonged to the selling colony or, if this was not possible, to a Fund held by another colony.

The proceeds of loans were largely spent on infrastructure construction, which was supervised by the Office. At the start of the period the majority of works were built by contractors and private firms. From the late 1890s, however, the Agents preferred the department system, under which projects were constructed by their own consulting engineers, who, in the case of the West African railway engineer, was a relative of the Senior Agent. The system ensured that all materials were bought by the Office, and supposedly increased the likelihood that cheap, good quality works would be constructed. In fact, the works built, largely West African railways, were relatively expensive, of poor quality, and often uneconomic. The consulting engineers provided the surveying information used by the Colonial Office to determine whether projects should go ahead and the standard of construction to be adopted, and, if it was decided that construction should be allowed to commence, built the lines. In order to maximise their incomes they underestimated the likely cost of works, overestimated expected returns, and supported the construction of high standard railways. The system was also naturally expensive and did little to encourage good quality work. Chapter five describes the drawbacks of the system in detail and Colonial Office experiments with contractors, private construction, and, from approximately 1911, colonial Public Works Departments.

The following chapter concentrates on the Agents' personnel and miscellaneous duties. Their personnel role involved the recruitment of colonial technical officers, the payment of colonial service pensions and some salaries, and the arrangement of the transport of colonial officers, troops and indentured labour. Although theoretically recruited by the Agents, technical officers were generally selected by the Agents' consulting engineers, who charged relatively high fees for the service. Partly because of poor colonial employment conditions, but largely because of the engineers' incompetence many of the men employed proved to be unsuitable, and some W.

African colonies attempted to replace their European staff with W. Indians, Indians and even black Americans. The Agents' organisation of transport for indentured labour was more successful, though equally costly. To ensure the provision of a good service, competition for shippers was limited; ships underwent a stringent inspection process before sailing; surgeons, who also acted as the Agents' representatives, were appointed for each voyage; and the survival of passengers was directly related to the shippers' and surgeons' remuneration.

Chapter seven traces the events that led to the Secretary of State's 1908 decision to hold an enquiry into the Agency. The Colonial Office, at first, was opposed to any investigation, pointing out that the replies to a 1901 Colonial circular requesting governors' views on the Agents had generally been supportive. From 1906, however, their opposition weakened. Press, Parliamentary and colonial criticism of the Agency increased and began to threaten the position of the Colonial Office. Moreover, in 1906, Winston Churchill, an arch opponent of the Agents, was appointed colonial Parliamentary Under Secretary and began to pressure his colleagues for the establishment of an enquiry. Ironically, immediately after they had acquiesced, Churchill was moved to the Board of Trade. In his absence, the Colonial Office, wishing to avoid scandal and merely legitimise a reorganisation of the Agency, severely restricted the terms of the enquiry and selected as committee members and witnesses men likely to be sympathetic to the Agents. Not surprisingly, the committee concluded that the Agency performed its work effectively, but nevertheless recommended widescale reorganisation, which, on the resignation of the Senior Agent in protest, was carried out by his replacement, the former Under Secretary of State, who implemented further changes. The thesis concludes with a reassertion of the main arguments of the study and an assessment of its contribution to principal-agent and Imperial theory and to the debate on the activities of present day aid agencies.

Agents and Principals: The Crown Agents for the Colonies 1880-1914

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Contents

Abbreviations iii

Acknowledgements v

Introduction 1

Chapter 1: The Office of the Crown Agents 19

1.1 Pre-1880 history of the Agency 19

1.2 Organisation and methods adopted to combat adverse selection and moral hazard 22

Chapter 2: Purchase of Crown Colony Government Supplies 46

2.1 Local purchase 47

2.2 Price of purchases 55

2.2.i CA vs merchant prices 55

2.2.ii Quality and non-competitive purchase 57

2.2.iii Ineffective monitoring and reluctance to purchase foreign goods 76

2.3 Other purchase costs 83

2.4 Delay and the provision of unsuitable goods 106

Chapter 3: The Provision of External Finance 113

3.1 Publicly issued loans 114

3.1.i Maximisation of subscription 115

3.1.ii Subscription and the avoidance of broker moral hazard 129

3.2 Placed loans, conversions and advances 149

3.3 Cost and monitoring of the service 163

3.4 Conclusion 171

Chapter 4: Post-1899 Provision of External Finance and the Management of Colonial Investments 172

4.1 Post-1900 period 172

4.2 Management of colonial investments 193

Chapter 5: Infrastructure Construction and Operation 209

5.1 The Department system 209

5.1.i High cost of lines 222

5.1.ii Unprofitable lines 249

5.2 Contractors 256

5.3 Private construction 263

5.4 Colonial construction 265

5.5 Open line supervision 268

5.6 Conclusion 271

Chapter 6: Personnel Role and Miscellaneous Duties 273

6.1 Personnel role 273

6.2 Miscellaneous duties 287

Chapter 7: The 1901 and 1908 Enquiries 291

Conclusion 305

Appendix 310

Selected Bibliography 329

Abbreviations

AS	Alexander Scrimgeour Papers
BBI	*British Biographical Index*
BE	Bank of England
BLPES	British Library of Political and Economic Science
BM	British Museum, London
BSAEG	*British and S. African Export Gazette*
CA	Crown Agent
CAA	Crown Agent Archive, Sutton, Surrey
CAR	CAOG 17/24, Misc. 142, No. 34, CAs to CO, 7 April 1902
CE	Consulting Engineer
CO	Colonial Office
CPM	Cameron Papers: Memoirs
DD	*Directory of Directors*
EU	Edinburgh University
FMS	Federated Malay States
FO	Foreign Office
GL	Guildhall Library, London
ICE	Institution of Civil Engineers
IO	India Office
HP	John Holt & Co. Papers
KP	Keith Papers
LP	Lord Lugard Papers
LW	London and Westminster Bank (from 1909 the London County and Westminster Bank)
MPICE	*Minutes of the Proceedings of the Institution of Civil Engineers*
NAN	National Archive of Natal
NW	National Westminster Bank
PO	Post Office
PP	*Parliamentary Papers*

PPE	*Parliamentary Papers 1909*, xvi (Cd 4474) - Crown Agents Enquiry, Evidence
PPP	*Parliamentary Papers 1905*, lvi (Cd 2325) - F. Shelford's Defence of West African construction
PPR	*Parliamentary Papers 1909*, xvi (Cd 4473) - Crown Agents Enquiry, Report
PPS	*Parliamentary Papers 1909*, xlvii (Cd 4668) - Royal Commission of Shipping Rings evidence
PPWO	*Parliamentary Papers 1901*, xl (Cd 581) - War Office enquiry
PRO	Public Record Office, Kew
PWD	Public Works Department
RE	Resident Engineer
RH	Rhodes House, Oxford
SA	F. Shelford, Album of Press Clippings
SEI	*Sell's Commercial Intelligence*
SEOI	*Stock Exchange Official Intelligence*
SF	Sinking Fund
SH	Somerset House, London
SP	Earl of Scarborough Papers
URC	Uganda Railway Committee
WASA	W. Australian State Archive
WO	War Office

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Introduction

The Office of the Crown Agents for the Colonies was formed in 1833, and acted as the UK commercial and financial agent of, at first, both self-governing and dependent colonies, and, from 1880, the dependent Crown colonies and protectorates (Table 1, Appendix 1). It supplied all non-locally manufactured stores required by colonial governments, who were precluded by colonial regulation from purchasing such goods themselves; organised the provision of external finance; supervised the construction of railways, harbours etc; and performed various personnel services, such as the payment of pensions and some salaries. Although under the supervision of the Secretary of State for the colonies, who appointed the Agents and fixed their salaries, the Office was financially and administratively independent of the government.[1] It covered its expenditure through a system of charges for work done, transferring any surpluses to an invested Reserve Fund, which met pension costs and financed deficits; recruited its own staff from outside the civil service; and was given a wide latitude by the Colonial Office (henceforth CO) as to how it conducted its business.[2] Much of its work was completed in-house, but other tasks were undertaken by third parties. The Agents employed a shipping agent, a packing company, a solicitor, consulting engineers (henceforth CEs), and a broker. 'Outsourcing' enabled the Agents to relieve themselves of some of the financial liability for the work undertaken, and, where the demands for the services supplied were small, reduced costs.[3]

The activities of the CAs have been relatively disregarded by historians, owing to a perceived paucity of source material and a belief that they played only a technical role

[1] Until 1880, the Office was also under the control of the Treasury.

[2] The Agency charged a 1% commission on all purchases, various commissions for its financial services, and a set annual fee for the payment of colonial service pensions and various other duties. A number of tasks, such as the supervision of infrastructure construction and the arrangement of transport for Indian indentured labour, were not remunerated.

[3] *PP 1909*, xvi (Cd 4474) (henceforth *PPE*), q. 350, 353.

Table 1: Area, Population, and Public Expenditure of the Crown Colonies and Protectorates Served by the CAs, Responsible Government Colonies and British India 1881 and 1911[1]

	1881			**1911**		
Colony	**Area (m sq. miles)**	**Population (m)**	**Per Capita Public Expenditure (£)**	**Area (m sq. miles)**	**Population (m)**	**Per Capita Public Expenditure (£)**
Crown Colonies/ Protectorates	1.291	6.093	1.1	1.253	35.698	0.49
Responsible government colonies	6.88	7.97	4.828	7.88	20.48	6.036
British India	0.962	198.791	0.36	1.093	244.221	0.32

in Crown colony development.[2] The thesis seeks to redress this neglect, and to provide a detailed account of the work and development of the Agency from 1880, when it lost its self-governing colony work, to 1914 and the completion of the reorganisation initiated by the 1908 enquiry into the Office. In particular, it aims to determine the extent to which the Agents contributed to colonial policy, and to discover whether, as all the commentators on the Agency contend, they performed their work effectively and efficiently and thus had a beneficial affect on Crown colony development.

The Agency is examined from the perspective of principal-agent theory, the fundamental assumptions of which are that all individuals are self-interested, that is they will seek to maximise their own welfare, and that some individuals will, occasionally, act opportunistically and attempt to improve their well-being through

[1] *P[arliamentary] P[aper] 1892*, lxxxvii (C 6719); *PP 1916*, xxxii (Cd 8329). Public expenditure totals include gross expenditure and expenditure on public works. The 1881 Crown colonies/protectorates population total excludes the Gold Coast, for which no figures are available.

[2] The Office is discussed in A.W. Abbott, *A Short History of the Crown Agents and their Office* (for private circulation, London, 1959); L.E. Davis and R.A. Huttenback, *Mammon and the Pursuit of Empire* (Cambridge, 1986), pp. 183-88; R.M. Kesner, 'Builders of Empire: The Role of the Crown Agents in Imperial Development 1880-1914' *Journal of Imperial & Commonwealth History*, V (1977), 310-29; R.M. Kesner, *Economic Control and Colonial Development* (Oxford, 1971); Vincent Ponko Jnr, 'Economic Management in a Free Trade Empire: The Work of the Crown Agents for the Colonies in the Nineteenth and Early Twentieth Centuries' *Journal of Economic History*, 31 (1966), 363-77; and L.H. Gann and P. Duignan, *The Rulers of British Africa 1870-1914* (Stanford, 1978), pp. 65-70.

guile.[1] In all principal-agent relationships there is therefore a danger that the agent will take advantage of the principal through the provision of less than maximum effort or through fraudulent behaviour. Such a threat particularly exists in situations of asymmetric information, where the principal is not as well informed as the agent, and in conditions of uncertainty, when the output of an agent cannot invariably be linked with inputs or effort.

Where asymmetrical information and uncertainty are present, principals face two problems: adverse selection and moral hazard. Adverse selection arises from the capacity of agents to hide information, especially about their ability, from principals prior to signing a contract. Moral hazard is the temptation for agents to pursue their own interests that are incompatible with those of their principals after a contract has been agreed. Moral hazard can, in turn, be split into two categories: moral hazard with hidden action, which occurs when a principal is unable to judge the agent's effort level, and moral hazard with hidden information, where the agent obtains better information than the principal, which he uses for his own purposes. Both adverse selection and moral hazard can be countered through the adoption of various strategies. Principals can recruit only agents whose abilities and honesty can easily be discovered, a measure known as targeted recruitment; pay them a premium above the market rate for their services, which increases the cost of dismissal for opportunism/shirking; or closely monitor their activities. Similarly, a network of trust can be established with the agent through the creation of inter-linking obligations and commitments, and the agent can be required to provide sureties, which, retained if he is discovered acting fraudulently, again increase the cost of opportunism.

The CAs were at the centre of a number of principal-agent relationships. The Agency was the agent of the CO and the colonies (who themselves had a principal-agent association), and the principal of its staff, and its suppliers and its service providers,

[1] Principal-agent theory is described in Richard J. Zeckhauser and John W. Pratt, *Principal Agent Theory* (Boston, 1984); Richard M. Kreps, *A Course in Macroeconomic Theory* (London, 1990), chapters 16 and 17; and Paul Milgrom and John Roberts, *Economics, Organization, and Management* (New Jersey, 1992), chapters 5 and 6.

who also acted as principals. It owed its existence to the CO's wish to minimise colonial moral hazard with regard to expenditure and finance, which could lead to colonial financial mismanagement and force the Office to seek Treasury aid, and thus allow Treasury and Parliamentary intervention in its policy-making. By forcing the colonial governments to obtain all non-locally produced goods through the Agents, who monitored all requisitions, passing those without Imperial authorization back to the Secretary of State, and giving the Agents control over the construction of infrastructure, the CO prevented colonial overexpenditure. Likewise, the issue of all London loans through the Agents, who also arranged short-term loans from banks and colonial UK surplus funds, prevented colonies raising finance without CO knowledge. To provide the Agents with an incentive to ensure that all goods/loans were purchased/issued through them and monitored, the CO set purchase/issue fees that took the form of a commission on the value of the goods supplied or loans issued. In the case of purchases, however, the Agents, until the late 1890s, failed to completely enforce the monopoly regulation, as the monitoring of colonial purchases was difficult and costly, and strict enforcement could lead to poor relations with colonies.

Use of the Agency had other advantages for the CO. The Agents firstly reduced the likelihood of inefficient service provision, which would increase colonial complaint and the CO's workload, and minimised the possibility of fraud, which could damage the standing of the Colonial Secretary, and, by weakening the legitimacy of British rule to both the ruled and rulers, make his work more difficult. It was far easier for the CO to monitor the activities of one British agency than those of many agents, most of whom would operate from the colonies. While, based in London and with much accumulated experience and knowledge, the Agents could, in turn, deal more effectively than separate colonies with the adverse selection/moral hazard of suppliers and service providers. Furthermore, their economies of scale and standardisation acted, in principle, to ensure the supply of quality goods and services at a low cost and with little delay.

Secondly, the use of a single service supplier helped to bind the colonies together, and the Agents' UK location inclined them to buy British goods. In addition, the Agency's quasi-independent status, allowed the CO to push forward development projects without Treasury or Parliamentary scrutiny and interference, reduced their responsibility for the services provided, and enabled officials to exercise patronage through the recommendation of candidates for CA clerical posts. The existence of the Agency also enabled the CO to avoid taking on the Agents' role themselves. British government provision of colonial UK services would have been costly, difficult, and ineffective. The CO lacked the necessary resources, skills, and inclination to undertake the work; its issue of colonial loans would have given such borrowings an implicit Imperial guarantee; and colonies would have been reluctant to accept its adoption of the role, which would have been viewed as an attack on their independence of action. Moreover, the CO would have found it difficult to adopt any of the discretionary practices, such as uncompetitive purchase and nepotism, successfully used by the Agents to minimise agent adverse selection/moral hazard.

Although, through the use of the Agents, the CO avoided colonial moral hazard, the problem of behaviour incompatible with British government interests remained. The Agents had a far greater knowledge of each service area than the CO, but less information than their suppliers, service providers, and, to a lesser extent, their own staff. Similarly, the output of neither the CAs nor their agents could be invariably linked with input or effort. The Agency was consequently 'particularly open to corruption'.[1] The Agents' quasi-government status also meant that they had 'practically two masters' - the CO and the colonies.[2] Wishing to legitimise the Agent's actions on behalf of the colonies, the CO claimed that the Agency acted 'not in any sense as agents of Her Majesty government, but as the agents of each colony that employs them'.[3] In reality, however, the Agents, like the CO, regarded the Secretary of State as their true principal. All but one of the Agents had worked at the

[1] *PPE*, q. 1044.

[2] *Ibid.*, q. 3945.

[3] *PP 1881*, xliv (C 3075), CO to Treasury, 26 Nov. 1880.

CO, and all were recruited by the Secretary of State, who set their salaries and service charges, and had the power to dismiss them and if he wished to close down the Agency.

The CO attempted to limit CA adverse selection and moral hazard through targeted recruitment, bonds, the payment of salary premiums, and, where possible, the restriction of discretion. As regards monitoring, full supervision of the Agents' activities, given their diversity and complexity, would have been difficult, if not impossible, and the cost greater than any possible loss.[1] Just as they used the Agents to monitor the colonies, the CO therefore used colonial governments to monitor the Agents, only undertaking perfunctory monitoring themselves. The colonies therefore, though 'never in the position of being masters', did have some power over the Agents.[2] Strong colonial criticism would eventually cause the CO to take action against the Agency, particularly if the complaints threatened to disturb colonial relations.

Until the late 1890s, the Agents' self-interested actions were largely compatible with the interests of both the CO and colonies, and thus did not constitute moral hazard. The Agency considered itself 'a private mercantile firm doing work for the government, but outside the government service', and its primary interests or goals were therefore the maintenance of its independence, and its continued existence and growth.[3] Sir Ernest Blake, the Senior CA, would have been 'very sorry to have to go to the Secretary of State and say "May I do this" or "May I do that"'.[4] While his 'keenness' was that he was 'earning for the Office', and his 'great anxiety...(was)...to make the Office a success'.[5] Failure to achieve these goals would result in

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[1] The Under Secretary Sir R. Herbert in 1870, for example, accepted that 'if the honour of the Agents were not to be trusted, it would be difficult to detect abuses' (CO 323/299/181, Herbert, Sept. 1870).

[2] *PPE*, q. 959.

[3] *PP 1909*, xvi (Cd 4473), (henceforth *PPR*), p. vi. See also CO 323/393/21057, CAs to CO, 13 Dec. 1903.

[4] *PPE*, q. 1272.

[5] *Ibid.*, q. 1250.

restrictions in the Agents' discretion and a reduction in their status and 'the excitement and interest of the work'; if the Agency made losses that could not be met from the Reserve Fund, a salary cut; and, if the Office was closed down, dismissal.[1] To survive, maintain their independence and grow, the Agency had to provide a service that the colonies found satisfactory and would result in few complaints to the CO, avoid any major scandals that would lead to a general call for the restriction of its independence or closure, and maximise its income.

The Agents fulfilled these aims through the provision of a quality service. Any criticism of their performance was likely to arise as a result of the supply of poor quality goods, public works etc. Governors were able to effectively monitor quality through usage, and were highly averse to defective supplies/infrastructure, which reduced colonial revenues and commercial profits, increased their workload, and damaged their reputation for fiscal competence. A quality bias also increased the Agency's income. The premium charged for quality materials led to higher purchasing earnings, which, as the market for their purchasing service was constrained by colonial government demand, could not be raised through the Agents' own efforts. Likewise, successful loan issues ensured that the Agents received their full issue commission, and enabled them, after flotation, to earn loan management, conversion, and redemption fees, and, where a loan was used to finance public works, commission from the purchase of construction materials.

To ensure that their agents provided a quality service, the CAs minimised those selfish acts that would militate against quality. They consequently closely monitored their agents, restricted competition, established long-term agent relationships, and adopted a number of miscellaneous measures, all of which, in addition to reducing the supply of poor quality goods, also discouraged corruption. The monitoring procedures adopted were stringent. All goods were inspected either during or after manufacture, and, in

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[1] *Ibid.*, q. 1272. Each Agent was warned in his letter of appointment that his salary was 'dependent on the contributions derived from the various colonies' and was 'liable to reduction' if income failed to cover costs (J.A. Sibbald: Herbert to Blake, 28 Jan. 1881).

the case of the former, were purchased from manufacturers rather than merchants to ensure that inspection occurred. Occasionally, the Agents also attempted to prevent moral hazard by the agents' agents by additionally inspecting raw materials and components. Likewise, infrastructure contractors were monitored by the Agents' own CEs; the work of CA clerks, which, to aid supervision, was highly specialised, was supervised by department heads and deputy heads; and, at the turn of the century, the work of the Office's insurance company, the London Assurance Corporation, was monitored by the Senior Agents, who were directors of the company, and through their fellow directors, also monitored their shippers, brokers etc.

The Agents, secondly, made little use of competition in their choice of agents, with whom they often had family/social relationships (Tables 2 and 3). Although in theory goods were purchased through tenders, in reality, a large proportion of articles were bought from a small number of firms. Similarly, goods were shipped on conference lines rather than vessels chartered after a tendering process; service providers were recruited through patronage; building contractors chosen from a short list of firms; and staff appointed on the recommendation of friends/relatives of the Agents, CO officials and existing staff. By minimising the use of competition, the Agents reduced the problem of adverse selection and, in the case of tenders, their own administration costs. Nepotism again minimised adverse selection, added a social cost to opportunism/the provision of poor quality services, and facilitated monitoring, in that relatives could be used to monitor their fellow agents. Nepotism also contributed to the establishment of networks of reciprocity/trust between the CAs and their agents, which were further strengthened through the provision of praise, discretionary gratuities, and the support of agents subject to colonial criticism etc.

The cost of opportunism/poor quality services was further raised through long-term relationships and various miscellaneous measures. Long associations ensured that

Table 2: Relationships between the CAs and the Agency's Service Providers[1]

Service Providers	Relationship
A. St George Sargeaunt, 1883-1907 employee and partner of J. & R.B. Freeland, CAs' shipping agents	Son of Sir William Sargeaunt, CA 1863-88.
Earnest Stephen M.S. Blake, 1899-1909 employee and partner of J. & R.B. Freeland, CAs' shipping agents	Son of Sir Ernest Blake, CA 1881-1909.
Frederic Shelford, 1899-1915 CAs' West African railway CE	Son-in-law of Sir Montague Ommanney, CA 1877-1900. Nephew of 'greatest friend' of Sir Maurice Cameron, CA 1895-1920.
Edward Woodbine Sargeaunt, 1883-5 clerk at J. & A. Scrimgeours, CAs' brokers	Son of Sir William Sargeaunt
Edmund Christopher K.S. Blake, 1906-9 clerk at J. & A. Scrimgeours, CAs' brokers	Son of Sir Ernest Blake
Francis Ommanney, 1831-98 partner of Sutton, Ommanney & Rendel, CAs' solicitors	Uncle of Sir Montague Ommanney
Charles Henry Ommanney, 1878-91 employee and from 1892-1915 partner of Sutton, Ommanney & Rendel, CAs' solicitors	Brother of Sir Montague Ommanney
Francis Frederick Ommanney, 1903- partner of Sutton, Ommanney & Rendel, CAs' solicitors	Son of Sir Montague Ommanney

dismissed agents would lose the future gains of subsequent transactions and would be left with physical and human capital highly specific to the Agency for which there was little market demand.[2] They also allowed the Agents to accumulate sufficient experience of their agents' actions to allow them to predict the existence of moral hazard, and, through repeated personal interactions, build up social ties and a store of goodwill that encouraged trust. Opportunism costs were additionally increased by allowing the Agency's brokers to purchase large proportions of loans at relatively low prices, and by employing high status engineers, whose future work depended on the

[1] CO 323/577/34999, CAs to CO, 28 Oct. 1911; *ibid.*, Blake to CAs, 11 Sept. 1911; *PPE*, q. 4283-4311; R[hodes] H[ouse], Oxford: S[helford], A[lbum], *Liverpool Daily Post*, 26 June 1899; Cameron Papers: Memoirs (henceforth CPM), p. 112; G[uildhall] L[ibrary], London: ms 17957, vol. 90; *ibid.*, 1906; *ibid.*, 1909; *Law List*, 1880-1914; S[omerset] H[ouse]: Probate records.

[2] Long-term relationships were particularly important in the case of firms who produced experience goods, the quality of which could only be discovered after use.

Table 3: Examples of CA Staff Family/Social Relationships[1]

Employee	Relationship
W. Anderson, Clerk 1901-6	Son of E.G. Anderson, Clerk 1878-91
E.G. Antrobus, Assistant Accountant 1879-93, Chief Clerk and Accountant 1893-1920	Recommended by Sir William Sargeaunt. Brother of Sir Reginald Antrobus, CA 1909-18
Miss E.M. Blyth, Lady Clerk 1895-1914	Niece by marriage of Sir Ernest Blake
Miss M.E. Boddy, Lady Clerk 1879-1908, Head of Stock and Coupon Department 1908	Recruited through 'Sir Montague Ommanney ...(knowing)...someone I knew'
Miss A.E. Boddy, Lady Clerk 1891-5, Head of Correspondence Branch 1906	Step-sister of Miss M.E. Boddy
E.J.H. Boose, Clerk 1901-21	Employed 'on the recommendation of the late Sir Robert Herbert and Sir Montague Ommanney'
J. Chadwick jnr, Clerk 1879-99	Son of J. Chadwick, Clerk 1875-80
F.W. Deakin, City Office Clerk 1886-1914	Son of W. Deakin, Office Keeper 1886-1909
F.H.H. Graves, Clerk 1900-5	Recommended by CO. Son of Colonial official, 'who had lost his life in the colonial service'
A.C. Knollys, Clerk 1902-5	Recommended by CO. Son of a former governor of Trinidad
A. Reeves, Clerk 1910	Recommended by Frederic Shelford, his former employer and a Crown Agent CE
A. St George Sargeaunt, Clerk 1882-3	Son of Sir William Sargeaunt
Edward Woodbine Sargeaunt, Clerk 1879-81	Son of Sir William Sargeaunt
H.F. Smith, Clerk 1894-1903, Assistant Cashier 1904, Head of General Stores Department 1905	First cousin once removed of Sir Ernest Blake
William Henry Stanger, Engineering Clerk 1873, General Works Inspector and Chemical Analyst 1875-1902	Recommended by Sir William Sargeaunt, who, as Colonial Secretary of Natal, had been a colleague of his father, the Natal Surveyor-General.
G. Wells, Clerk 1902-6	Recommended by Sir A.M. Rendel, his former employer and a Crown Agent CE
Norman Edward Ommanney Willis, Clerk 1892-1902	Relation of Sir Montague Ommanney

[1] CAOG 17/22, memo, 5 Oct. 1908; CAOG 13/383, Wells to CAs, 6 Nov. 1901; CO 323/797/59112, Boose to CAs, 4 Oct. 1919; *PPE*, q. 2580, 3044, 3117, 113, 2792, 2796; C[rown] A[gents] A[rchive]: Staff Register, vol. 1; weeded files, O/Sec 159, CAs to CO, 7 April 1911; *M[inutes] of the P[roceedings] of the I[nstitution] of C[ivil] E[ngineers]*, cliii (1902-3), p. 338.

maintenance of their reputation for quality and probity, and service providers who relied upon the Agency for a large part of their business. In the case of their staff, the Agents required higher grade employees to supply securities, provided generous life insurance and pension rights, and paid all clerks an additional group fee, from which losses due to mistakes/fraud were deducted and which discouraged 'free riding' and increased 'whistle blowing'.

The concentration on the provision of quality services resulted in relatively high prices/costs, as monitoring was expensive, the limited use of competition prevented the market testing of prices, and quality manufacturers and high status engineers charged a premium for their goods/services. Similarly, the loan price premium that the Agency permitted its brokers increased the cost of loans, and the Agents' directorships and the social gain that they obtained in advancing their relatives' careers encouraged them to allow the London Assurance Corp. and those service providers with family connections to charge relatively high fees. In addition, long-term relationships and agents' acquisition of knowledge of the CAs' requirements, methods of work etc, which a new agent would not possess, allowed existing agents to charge high prices/commissions.

The CO and colonies, however, cared little about the additional cost. From 1870, when the Agency's colonial accounts began to be audited by the colonies rather than the auditor-general, and particularly from 1880 and the Treasury's abandonment of its monitoring role, metropolitan financial control of the Agency's activities was weak. Also, provided that a colony's expenditure was balanced by its income, the CO cared little about the high cost of services, and, partly owing to the Agents' promotion of quality as the only criteria of evaluation, largely judged the Agency's performance on its standard of service provision. Distant from Britain, colonies found the monitoring of prices/costs difficult. Moreover, the losses suffered were relatively small when compared to the potential cost of the supply of poor quality goods/public works, and could easily be absorbed through taxation/freight rates. Owing to the Agents' inadequate enforcement of the monopoly regulation, colonies could also easily purchase at least some of those goods whose quality was not important from merchants. While, for governors, criticism of an agency that monitored their activities and 'had the ear of the Secretary of State' could carry a high personal cost.[1] As regards the Agents' nepotism and directorships, the colonies knew nothing of these activities. The CO, though aware of their existence, turned a blind eye. It was understood that such practices minimised service provider/staff adverse selection and moral hazard and increased the cost of CA opportunism. Furthermore, their tolerance of such practices created obligations, which further discouraged CA moral hazard.

Although indifferent to the high prices/costs of the services provided, the CO did become concerned about the size of the CAs' Reserve Fund. Fund investment returns and the large profits resulting from the provision of a quality service and an increase in charges in 1886, caused the Fund to grow rapidly (Figure 1).[2] As the Fund was easily monitored by Parliament and the Treasury, the CO, in 1893, attempted to reduce

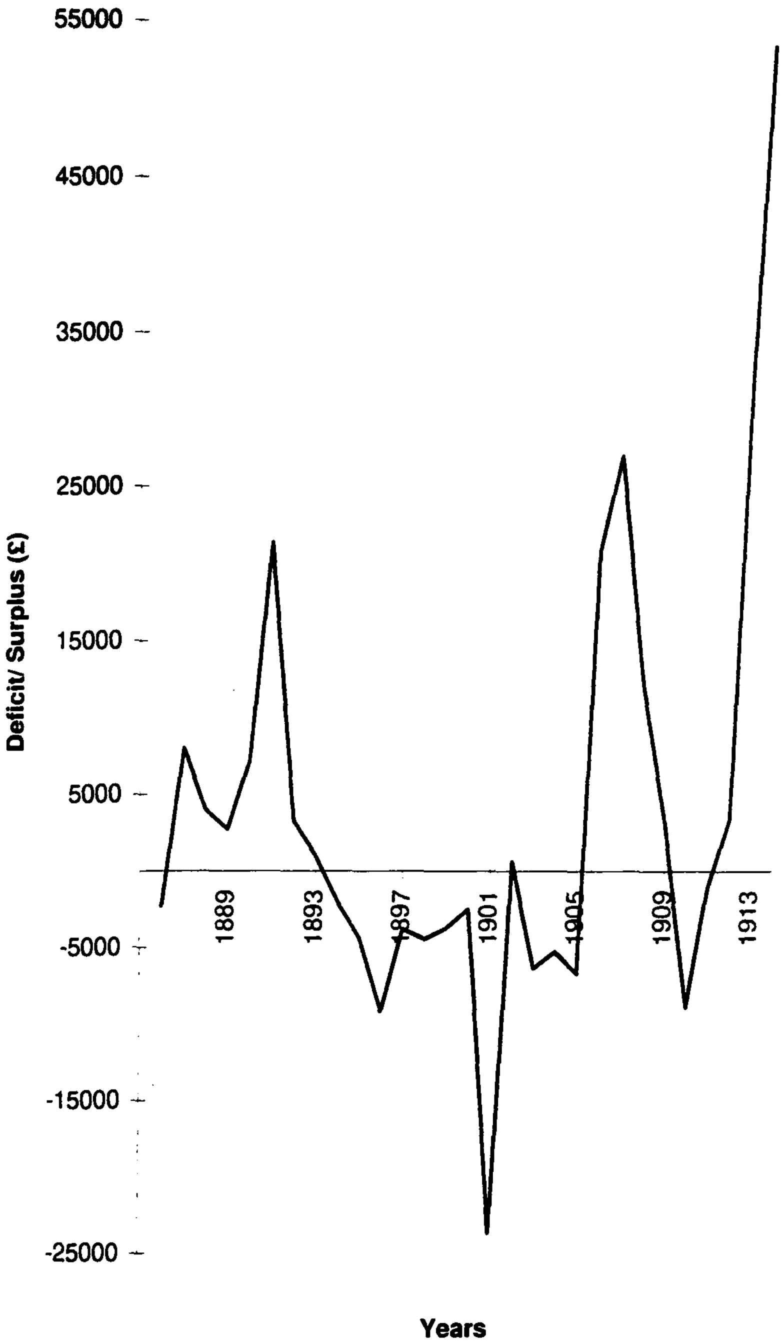
Figure 1: Office Reserve Fund 1875-1914[3]

[1] CO 323/524/41857, Lucas, 21 Nov. 1906.

[2] Charges were raised to offset the effect of the 1880 loss of self-governing colony financial work on the Agency's income.

[3] Figures for 1876-83 are not available. CO 323 series. CA accounts.

Figure 2: Office Account Surpluses/Deficits 1880-1914[1]



its rate of growth by allowing the Agents to increase staff numbers and salaries and cutting their loan and other charges. The resultant fall in income, however, was far greater than expected, and the Agents began to make significant losses (Figure 2). In the late 1890s, the situation improved slightly. Chamberlain's construction programme and the growth in the number of principals increased the Agency's purchasing workload, the large orders and their low attendant processing costs raising profit per order. The Agents, however, had to organise construction, for which they received no remuneration, and the resultant development of the colonies increased the demand for other services, for which they obtained no fees or inadequate ones. In addition, from 1897, Chamberlain, who was confident that he would succeed in his attempts to obtain Treasury finance for colonial infrastructure projects, ordered the Agents to halt all loan issues and meet colonial construction expenses through short-term loans from surplus

[1] CO 323 series, CA accounts. Surplus/deficit = net receipts (total receipts - balance - transfers from Office Reserve Fund) - net expenditure (total expenditure - balance in hand - transfers to Office Reserve Fund).

colonial UK funds and banks. The Agency thus lost its issue commission, and gained the administration cost of arranging the short term loans. In the event, it was decided that only a small proportion of the Treasury finance offered should be accepted. As the Boer War-induced collapse of the money market prevented them turning to the City for funds, the Agents therefore continued to be deprived of issue income and were forced to continue to finance colonies.

This parlous financial situation caused them to adjust their priorities. To prevent the diminution of the Reserve Fund, which financed their pensions, they became more concerned with the maximisation of income than with the provision of a quality service. Their activities thus became increasingly incompatible with the interests of the colonies and eventually with the CO, and began to verge on moral hazard. The change of emphasis affected every service area. In the case of purchasing, they began to monitor colonial purchases in earnest, and force those governments who were discovered to be infringing the monopoly regulation to abandon their use of merchants. They also increased staff productivity. Despite the growth in their purchasing workload, they were reluctant to increase staff numbers by a corresponding degree, as such recruitment would plunge them further into debt and lead to CO criticism. Moreover, the construction-fuelled rise in colonial purchases was likely to be short-lived and any new recruits would therefore eventually have to be dismissed and compensated. The rise in orders was consequently met through the employment of extra lower grade staff to perform the more routine work, the purchase of even fewer goods through competition, and the greater use of merchants. The result was a rise in prices; a fall in quality, as merchant goods could not be inspected during manufacture; and longer delays and more mistakes in the fulfilment of orders.

To increase their returns from infrastructure construction (largely West African railways) and to ensure the construction of quality lines, the Agents abandoned the use of contractors and private firms. Both were often permitted by the CO to purchase all or some of the building materials used in projects themselves, and, owing to monitoring difficulties, and in the case of contractors adverse selection, often produced poor quality lines. Instead, the Agents adopted the 'department' system of construction, under which works were built by their own CEs. The advantages of the system were that all materials were bought by the Agency, and the engineers, due to their long relationships with the Office and their high status, could be relied upon to build good quality projects. The use of the department system and other strategies adopted to maximise quality, however, directly increased costs, and in some cases actually led to the construction of defective works.

The system, which involved the CEs directing their construction teams from London, was naturally expensive. In addition, CEs not only provided the surveying information used by the CO to determine whether projects should go ahead and, if so, the standard of construction to be adopted, but also built the lines. They were therefore able to use the hidden information of their surveys for their own benefit, and thus underestimated the likely cost of lines, overestimated expected returns, and supported the construction of high-standard railways able to handle the predicted heavy traffic levels.[1] Since the engineers' interests were compatible with their own, the Agents fully supported their conclusions, and invariably recommended the commencement of projects and the adoption of high standards. Similarly, to prevent rapid construction at the expense of quality, the CEs and their staff were, until 1905, paid by salary, denied rapid completion bonuses, and given no firm dates by which projects should be finished. The engineers and their staff, unconstrained, unlike contractors, by the opportunity costs of slow construction, therefore deliberately slowed progress, and often added to projects after building had begun. The result was that the final cost of lines was from 10% to 78% greater than the original estimate, and few earned sufficient receipts to cover working costs and debt charges. Moreover, the system failed even to ensure quality construction. The engineers had little incentive to build quality lines, as they were not held financially responsible for poor construction, which, by increasing their post-construction line supervision duties, actually increased their incomes. Also, based in London they had difficulty monitoring the quality of the work of construction staff.

[1] High standard railways had wide gauges, low gradients, smooth curves, and were fully equipped.

The Agents' interests additionally began to clash with those of the colonies in the provision of UK finance. The Agency made little use of Treasury loans, partly because of the Treasury's insistence that any money lent should incorporate a lien on the borrowing colony and carry a relatively high interest rate, but mainly because full acceptance of the loans would, for the Office, have carried a real and opportunity cost. The Agents would have had to receive, pay the interest, and redeem the loans for no reward, and would have lost the fee and associated commissions earned from raising the capital required on the market. Such loans also raised the spectre of Treasury intervention in future financial operations, and, more importantly, Treasury pressure for projects to be reduced in scope and undertaken by contractors rather than the department system. The rejection of Treasury finance and the unexpectedly high cost of construction, combined with the 1900-4 market collapse, forced the Agents to seek other sources of finance that often proved costly for the colonies. From 1900, the Agents began to advance to governments in need of money colonial annual contributions to UK investment Funds eg. Saving Bank Funds etc. Although the borrowing colonies paid bank rate, this was far lower than the lending colonies could have obtained if the money had been invested in permanent long-term securities. Similarly, sales by the Agents of investments held by the UK Funds of colonies in need of finance also led to losses. While, on the recovery of the market, the large amount of stock to be issued, the growing market realisation that many of the lines built were essentially uneconomic, and competition from foreign loans, reduced demand for Crown colony issues. The Agents, unable to finance infrastructure indefinitely, and in need of issue commission income, therefore set excessively low prices, which increased colonial debt charges. Even low prices, however, often failed to attract subscribers, and many loans failed.

The Agents' concentration on the maximisation of their income led to an increase in prices/costs, which the colonies were increasingly unwilling to accept. The losses were too great to be offset by a slight increase in taxation/freight rates. High purchase prices could no longer be avoided through the circumvention of the monopoly regulation. While the expansion of merchant communities and the greater circulation by UK manufacturers of catalogues and price lists to the colonies allowed governors to more easily monitor prices/costs. Moreover, the higher costs no longer ensured quality, which, in the case of purchases, was often less important than previously. Colonial development meant that defective goods could often be repaired in the colony, and improvements in communications had greatly reduced the opportunity cost of obtaining a replacement from Britain. Colonial criticism of the Agency consequently rose. This, along with the effect of high prices/costs on colonial budgets, prompted the CO in 1901 to ask all governors to compile detailed reports on the Agents' performance of their duties. Although some made serious complaints, the majority claimed to be satisfied with the Agency, probably because the cost of the Agency's behaviour on their own reputations and future career prospects was not yet sufficient to offset the likely consequences of officially criticising the Agency. After examining the reports, the CO recommended a number of changes in the Agents' procedures, but otherwise declared itself satisfied with the service provided.

Colonial criticism, however, continued and was taken up by the press and Parliament. Fearing that the complaints could affect their own reputation, the CO in 1908 set up a committee of enquiry into the Agency 'to enable the Secretary of State to get the necessary reforms carried out', but, to avoid further embarrassment, ensured through its membership and terms of reference that its conclusions would be uncritical.[1] As intended, the committee found the Agents' work to be 'on the whole well done', and made a number of recommendations for the reorganisation of the Agency.[2] These and further changes were put into effect by the former Under Secretary of State, Sir Reginald Antrobus, who, on the resignation of Sir Ernest Blake in protest at the committee's conclusions, was appointed Senior Agent. By 1914, the Office had taken over all but one of the services provided by third parties, obtained a larger proportion of its purchases from manufacturers and through competition, and standardised a large number of the goods ordered. The changes, however, largely tackled agent moral

[1] CO 323/538/45740, Antrobus, 31 Dec. 1908.

[2] *PPR*, p. iv.

hazard and did little to reduce the expense of the Agents' service, which continued to be a subject of criticism into the 1950s.

Chapter One: The Office of the Crown Agents

The Chapter is divided into two parts. A summary of the origins and pre-1880 growth of the Agency is followed by a brief description of its organisation and the methods adopted by the CO and CAs to limit, respectively, Agent and staff adverse selection and moral hazard.

1.1 Pre-1880 History of the Agency

The origins of the Agency can be traced back to the mid-eighteenth century, when colonies were represented in the UK by an agent appointed by the colonial legislature, who protected their financial, commercial, and political interests. In addition, the Imperial government appointed, on behalf of those colonies in receipt of a Parliamentary grant, 'crown' agents, who received and accounted for moneys issued by the Treasury.[1] The modern CA first appeared in the 1790s in colonies acquired as a result of the Napoleonic Wars, and, a few years later, in the older colonies. The Agents were appointed by the colonial government on the recommendation of the CO, and requisitioned supplies from Britain, placed loans, and recovered any overpayment of Parliamentary grant. The majority were CO Clerks nearing the end of their careers, who regarded the appointments as 'an advantage...(they)...might reasonably expect', and combined the tasks involved with their official work.[2] Others were merchants, MPs, and army officers, who, again, continued to perform their usual occupations.

Unfortunately for the colonies, many of the Agents failed to satisfactorily execute their duties, which grew rapidly and began to require technical and commercial skills that the Agents did not possess. Complaints mounted, and, in 1830, the CO held an enquiry, which recommended the establishment of a joint Agency. Over the following two years, therefore, all but two of the existing Agents were forced to retire. The Agents retained, the CO clerks George Baille and Edward Barnard, relinquished their

[1] L.M. Penson, 'The Origins of the CAs Office', *English Historical Review*, xl (1925), p. 205; *PP 1881*, lxiv (C 3075), Memo on the Functions of the CAs.

[2] *Ibid.* By 1833, six out of the nine agencies were held by clerks (*ibid.*).

other duties and were given the title *Joint Agent Generals for the Crown Colonies*. The work, however, continued to be poorly performed, and, on acquiring responsible government, New Zealand and a number of Australian colonies immediately established their own London agencies making it difficult for the Agents to cover costs.[1] Consequently, when Baille died in 1855, the CO replaced him with Sir Penrose Julyan of the commissariat branch of the W[ar] O[ffice], who was given the task of reorganising the Agency.[2] Showing 'remarkable energy', Julyan increased staff numbers and salaries; developed new systems of work; introduced a scale of fixed charges to pay for the changes; and, finally, in 1863 renamed the Office the *Crown Agents for the Colonies*.[3]

From its formation in 1830, the Agency had been unofficially under the control of both the CO, who took responsibility for its day-to-day activities, and the Treasury, who authorised increases in its establishment and, through the Permanent Secretary, was co-trustee of many of the colonial UK Funds it managed. In 1863, on completion of the reorganisation, the dual control of the Agency was officially recognised, and from 1865 the Treasury began to receive the Office's half yearly accounts.[4] Having received official recognition of its position, however, the Treasury began to express concern as to 'whether the government...ought to be mixed up with such agencies'.[5] More doubts followed, and, in 1878, the Treasury decided that it no longer wished to 'claim any authority or admit any responsibility' for the Agents, and that their issue of loans for the self-governing colonies, which many believed gave the issues an Imperial guarantee, should be halted.[6] It was pointed out that the Treasury had no

[1] CO 323/339/18599, Julyan to Meade, 14 July 1879.

[2] In a long and varied career, Julyan had variously served as Special Commissioner of Roads and Bridges in lower Canada, Assistant Financial Secretary to the Irish Board of Works, and Director of the Australian Royal Mint (*B[ritish] B[iographical] I[ndex]*).

[3] CO 323/299, Rogers, 5 March 1870.

[4] CO 323/337/4115, Adrian, 11 April 1878; *PP 1881*, lxiv (C 3075), Treasury to CO, 11 April 1881.

[5] T1/6989a/5845, note, 5 April 1870.

[6] T1/7710/20021, Treasury to CO, 23 Dec. 1878.

'real power' over the Agents' Office, which was 'maintained out of funds over which...(they)...had not the slightest control'.[1] Moreover, the CO was in a similar position. Indeed, if the Agents 'chose to repudiate their interference tomorrow and set up on their own account' there was 'nothing to hinder them, except their knowledge that it is not in their interests to do so'.[2] Despite this lack of control, however, 'the government would apparently be called on to make good any default' resulting from the Agents' actions.[3]

The CO was perturbed by the Treasury's proposal. The Colonial Permanent Under Secretary, Sir R.H. Meade, believed Treasury control was 'a very useful check upon the CAs and ourselves', which 'it would be little short of madness to surrender'.[4] He also suspected that the abandonment of their self-governing issue work would greatly reduce the Agents' income. Fearing 'some great disaster' if the proposal was carried through, the CO therefore asked the Treasury to reconsider.[5] The Treasury's position, however, if anything, had hardened. New Zealand's 1879 decision to float a further loan through the Agents had led to market fears that the colony's borrowing was out of control, and even the CAs accepted that, if the new issue failed and the colony was unable to repay £1.1m of short-term advances obtained through themselves from the B[ank] of E[ngland], 'the situation will become seriously embarrassing'.[6] In response to the CO's request, the Treasury consequently proposed the establishment of a departmental committee to 'advice as to the continuation, modification, or termination of the existing arrangements' of providing the services supplied by the Agents.[7]

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[1] T1/7710/17281, note, 1 Nov. 1878.

[2] *Ibid.*

[3] *Ibid.*

[4] CO 323/337/4115, Meade, 13 Oct. 1878; CO 323/340/13596, Meade, 28 Nov. 1879.

[5] *Ibid.*

[6] BE: C 58/1; CAA: M 9, Loan Agents to NZ Premier, 6 Dec. 1879; *ibid.*, CAs to NZ Premier, 6 Nov. 1879. In October, the BE refused to make any further advances to the colony, and the Agents were forced to obtain a loan from the L[ondon] and W[estminster] Bank (*ibid.*, CAs to NZ Premier, 6 Nov. 1879).

[7] CO 323/344/10454, Treasury to CO, 8 July 1880.

Designed to force the CO to acquiesce to their wishes, the initiative was successful. Accepting that if they were 'to keep the Crown colonies' it was difficult to see how the Agents' 'services could possibly be dispensed with', the CO accepted that they alone should be responsible for the Agency, which would henceforth act only for the dependent colonies.[1]

1.2 Organization and Methods Adopted to Combat Adverse Selection and Moral Hazard

Before the 1908 enquiry, the Office comprised five service departments and five function departments (Figure 1), and employed 200 staff, compared to 30 in 1881 and 468 in 1914.[2] Organisation by service eased performance monitoring, facilitated co-ordination, and made the Agency more flexible and sensitive to colonial needs. Similarly, by grouping together functions that were required by the whole Office, the Agents reduced costs, and, in the case of the Engineering Inspection Department, facilitated the co-ordination of external inspectors. The Office was managed by three Agents.[3] Each assumed responsibility for a specified part of the Agency's business and the day-to-day administration of a particular set of departments, with the division of labour changing with personnel and the type and amount of work undertaken.[4] Although they were 'as dissimilar as, I suppose, three men could be', they 'always managed to work amicably and to get on'.[5] As each had his own distinct area of

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[1] *Ibid.*, Meade, 19 July 1880; *ibid.*, Herbert, 19 Oct. 1880. The Agency continued to manage and redeem self-governing colony loans issued by them prior to 1880, and, occasionally, to perform tasks for independent colonies. In 1903, for example, confidential enquiries were made in the City regarding the possible issue of an Australian Commonwealth loan (CAOG 14/135, CO to CAs, 2 April 1903. See also CAOG 14/139, CO to CAs, 12 June 1885, and CAOG 14/140, CAs to Hoare, 2 May 1904).

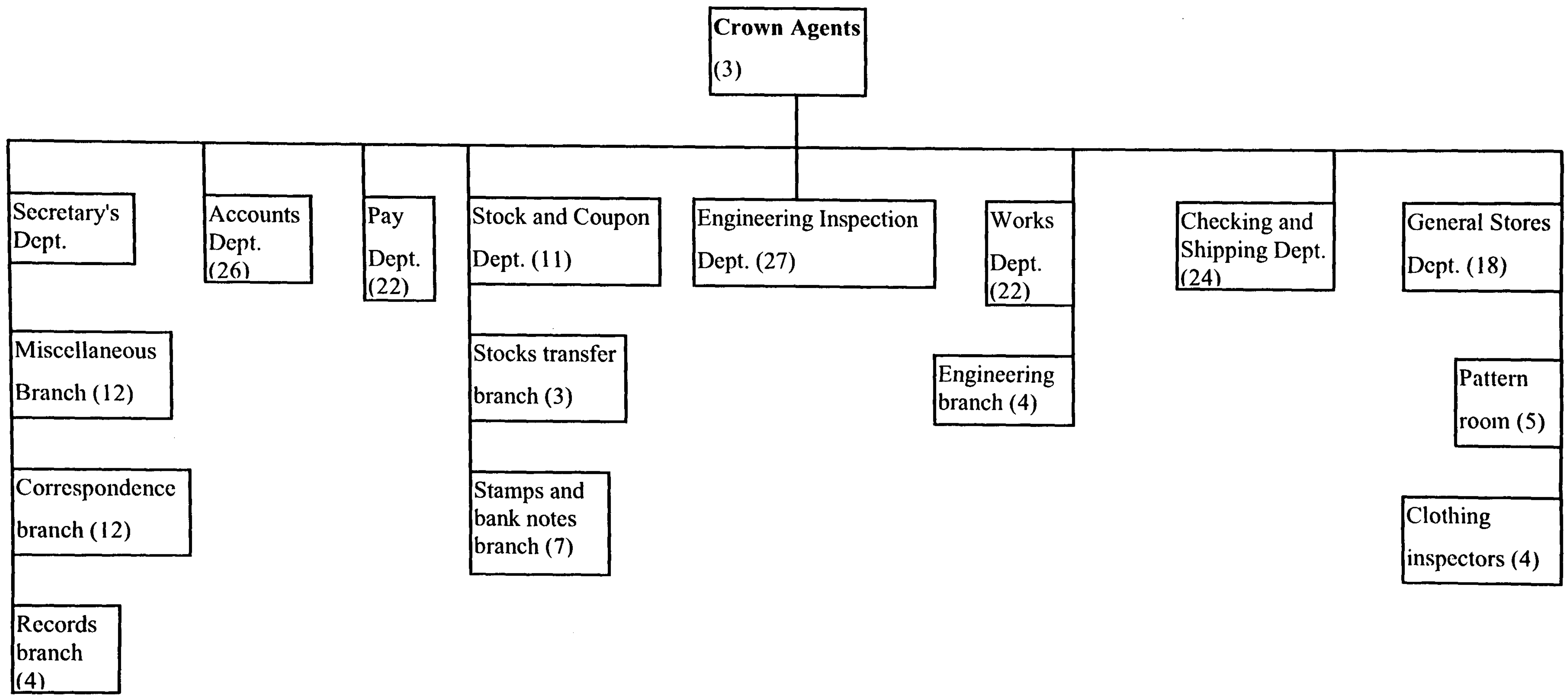
[2] CAA: 1881 accounts; *PPE*, Appendix 1, q. 20, 170; *PP 1914-16*, xlv (Cd 7973). On becoming Senior CA in 1909, Sir Reginald Antrobus informed the West African merchant John Holt, 'I like my new work. For one thing, there is an adequate staff here to deal with it, which we never had in the CO' (RH: H[olt] P[apers], mss Afr. s. 1525, 12/1, Antrobus to Holt, 18 Oct. 1909).

[3] From 1888-95, there were just two Agents.

[4] *PPE*, q. 1123. In 1908, the Senior Agent concerned himself with the organisation and discipline of the Office, the issue of loans and investment of colonial balances and Fund contributions, and the construction and maintenance of the West African railways and the Hong Kong-Canton line, and supervised the stock and coupon and the checking and shipping departments. The second Agent handled the construction and maintenance of all other lines and all harbours, water supply, and drainage schemes, and administered the works department. The third Agent controlled the purchase of goods, the recruitment of colonial technical staff, the printing of stamps and currency notes, and the Office's miscellaneous services. He also managed the general purchasing department and the remaining sections (*ibid.*, q. 1116, 1118-20).

[5] *Ibid.*, q. 1106.

Figure 1: Office Organisation 1908[2]



[2] Establishment staff numbers in parenthesis. *PPE*, appendix 1.

control and 'there were no regulations, and, with a few obviously indispensable exceptions in financial matters, no returns', there was little disagreement.[1] When a departure from normal practice required a change of policy, the Agents would discuss the matter informally and reach a mutually acceptable decision. It had 'never been distinctly laid down whether the junior Agents...(were)...subject to the Senior Agent', and, as 'one generally gives and takes', the issue had never arisen.[2]

The hierarchy of the Office was relatively short, ensuring low administration overheads and good communications between the Agents and their staff, and enabling the Agents to easily co-ordinate the work of the Office, though the resultant restricted staff promotion prospects may have reduced motivation and effort.[3] Beneath the CAs were the Chief Clerk and Accountant; from 1901, the Office Secretary, who, appointed to reduce the Agents' workload, conducted the more minor Agency correspondence; and, from 1905, the Head of Engineering.[4] Under these, were the Agents' clerical staff, who, before 1900, were informally classified into section heads, deputy heads and clerks. The latter comprised both female clerks, first employed in 1879/80 and confined to the Correspondence and Stock and Coupon Departments, and male clerks.[5] A small number were temporary, employed to meet sudden increases in workload, though the employment of such staff was if possible avoided, as their 'identification with...(the Agency's)...interest is proportionately slight'.[6]

At the bottom of the hierarchy were boy clerks, who, not part of the establishment, were recruited from the Civil Service Commissioners' pool of clerks and worked for

[1] CPM, p. 131.

[2] *PPE*, q. 1106, 1107.

[3] John Child, *Organisation* (London, 1984), pp. 59-66.

[4] CO 323/483/16903, CAs to CO, 9 May 1903.

[5] *PPE*, q. 3045, 4216. In 1908, the lady clerks accounted for 30% of the establishment staff (*ibid.*, q. 3042).

[6] CO 323/553/35347, CAs to CO, 27 Oct. 1909; CO 323/379/14853, CAs to CO, 29 July 1890.

the Agency until they attained the age of 20.[1] In 1901, in an attempt to slow the rise in costs, the Agents classified their existing establishment clerical staff into three classes, whose size was frozen, and created a fourth class of clerks, who performed the more routine work of classes 1 to 3. The new clerks were relatively low paid, and, not part of the establishment, were relatively easy to dismiss when workload fell and thus made the 'organization of the Office more elastic'.[2] In 1909, on the advice of the Committee of Enquiry, a fifth class of clerks was created, who performed work similar to that of civil service second division assistant clerks, and largely took the place of boy copyists.[3]

The CO attempted to minimise adverse selection and moral hazard with regard to the CAs through targeted recruitment, bonds, monitoring, and high salaries. Of the six men who acted as Agents from 1880-1914, five had served in the CO and one, Cameron, in the colonial service (Table 1). Before appointment, the Secretary of State thus had a great deal of knowledge of the abilities and honesty of each of the Agents, who, in turn, had learnt and internalised the ethical culture of the Office and were acquainted with the existing CAs, though they had little business or financial experience.[4] In addition, new Agents had some knowledge of the Agency's operations and principals, and, more importantly for the CO, were aware of the wider political aspects of its activities. The Agents appointed were all members of the gentlemanly elite, though of a lower rank than their counterparts in the CO, which, no doubt, facilitated their dealings with the 'gentlemanly capitalists' of the City and with

[1] *PPE*, q. 23.

[2] *Ibid.*, q. 23, 206-7, 219, 1060. In 1908, class iv clerks represented 32% of staff (*ibid.*, q. 20).

[3] *PPR*, p. x.

[4] Although he never worked at the CO, Cameron was acquainted with Ommanney, who had been one of his instructors at the Royal Military Academy, and had corresponded with Blake (CPM, p. 131).

Table 1: Personal Histories of CAs and Other Senior Staff 1880-1914[1]

Agents

	Period of service	**Age on appointment**	**Father's Occupation**	**Education**	**Career Prior to appointment**	**Amount left on death**	**Directorships on retirement**
Sir William Charles Sargeaunt	1863-88	33	Rector	Charterhouse	1848 CO Supernumerary Clerk 1849 Assistant Junior Clerk 1853-8 Colonial Secretary of Natal 1858 Junior Clerk 1859-60 Acting Lieutenant Governor of St Vincent 1860-2 Assistant Clerk	£4,805	-
Sir Montague Frederick Ommanney	1877-1900	36	Banker and Naval Agent	Cheltenham College Royal Military Academy, Woolwich	1864 Commission in Royal Engineers 1866-70 Architect at the WO and Admiralty 1871 Instructor at the Royal Military Academy, Woolwich 1874 Private Secretary to Lord Canarvon, Colonial Secretary of State	£13,329	British N. Borneo Ltd;, Kimanis Rubber Ltd; Anglo E. African Rubber Plantations Ltd (Chairman); Union Castle Mail Steamship Co. Ltd
Sir Ernest Edward Blake	1881-1909	36	Rector	Norwich Grammar School	1863 Upper Division exam (2nd in CO competition) 1864 CO Assistant Junior Clerk 1869 Junior Clerk	£23,173	-

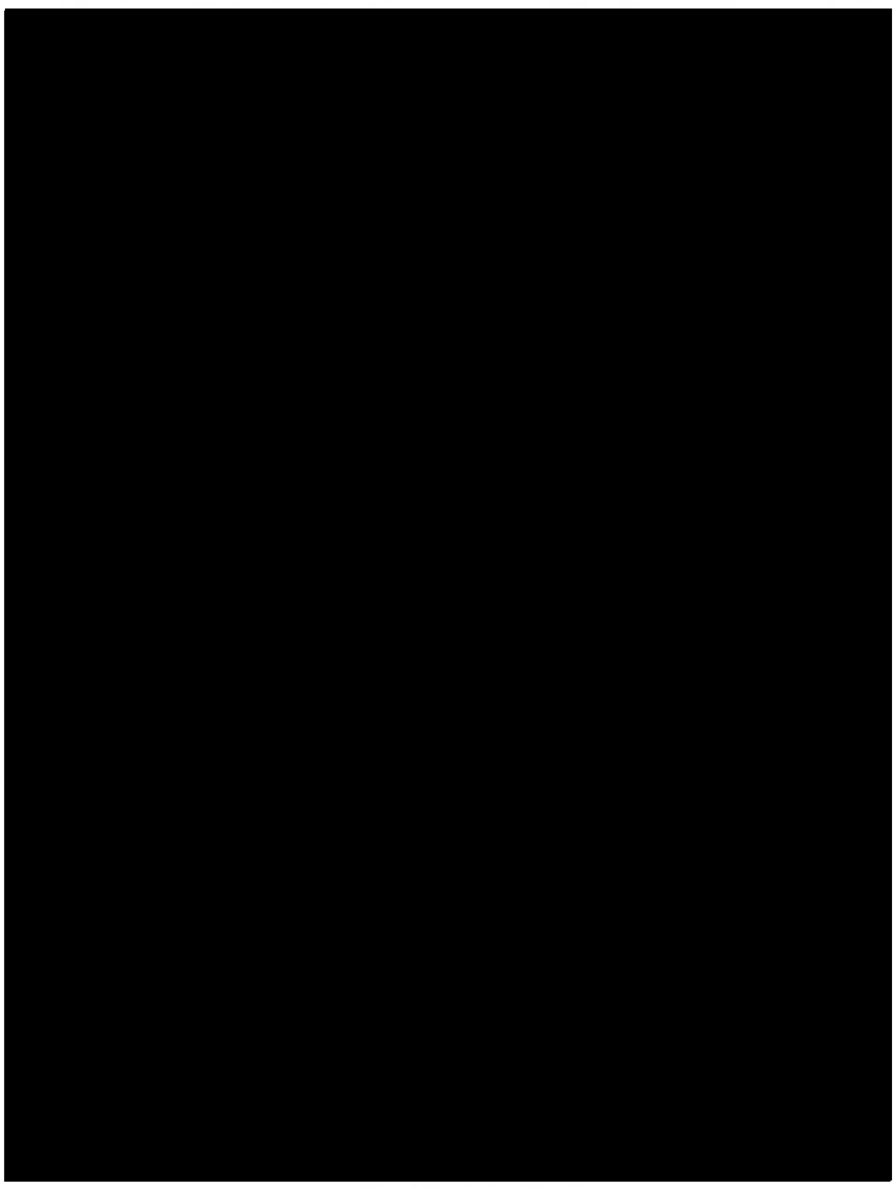
[1] *BBI*; *Abbott, A Short History*; J.C. Sainty, *Office Holders in Modern Britain* (London, 1976); J.A. Venn, *Alumni Cantabrigienses: 1852-1900* (Cambridge, 1940); *The Historical Register of the University of Oxford* (Oxford, 1900); *CO List 1900*; *Times*, 8 Dec. 1920, p. 15; *ibid*., 22 Aug. 1925, p. 5; *D[irectory] of D[irectors]*, 1907-30; *PP 1864*, xxx (3316); *PP 1878*, xxvii (177); *PP 1879*, xix (C 9435); *PP 1880*, xxi (C 2721); *PP 1902*, xxii (Cd 1203); SH: Probate records. The higher educational standard of the later CAs is probably a reflection of the failure of middle class employment growth to match the expansion in middle class education, which made it more difficult for the less well qualified to attain such positions (F. Musgrove, 'Middle Class Education and Employment in the Nineteenth Century', *Economic History Review*, 12 (1959), pp. 106-8).

					1872 2nd Class Clerk and Assistant Private Secretary to the Earl of Kimberley 1874 Private Secretary to the Earl of Kimberley 1879 First Class Clerk and Head of General Department		
Sir Maurice Alexander Cameron	1895-1920	40	Army Lieutenant	Wellington College Royal Military Academy, Woolwich	1874 Lieutenant in Royal Engineers 1883-92 Deputy Colonial Engineer and Surveyor General of the Straits Settlements (also a member of the Straits Executive and Legislative Councils) 1894 Major in Royal Engineers	£14,969	-
Sir William Hepworth Mercer	1900-21	45	Designer and gentleman	Wadham College, Oxford BA degree in Classics (2nd class) Bar Exams, Inner Temple	1879 Upper Division exam (4th in year) 1894 Secretary to Earl of Jersey in Ottawa Accompanied Sir Stanford Fleming to Hawaii 1895 Assistant Private Secretary to Lord Ripon and Joseph Chamberlain 1896 First Class Clerk. Secretary to Pacific Cable committee 1898 Principal Clerk	£8,041	British Controlled Oilfields Ltd; Century European Timber Corp. Ltd. Century Trust Ltd; Freeholds Trus Ltd; Trinidad Petroleum Developmer Co.; Century Russian Syndicate Lt
Sir Reginald Laurence Antrobus	1909-18	56	Rector	Winchester College New College, Oxford BA degree in Classics (2nd class)	1877 Upper Division exam (2nd in year) 1880-2 Assistant Private Secretary to the Earl of Kimberley 1882-6 Private Secretary to successive Secretaries of State 1889-90 Acting Governor of St Helena 1894 Senior Clerk	£7,266	Trans-Zambesia Railway Co. Ltd (Gov. director); Church Schools C Ltd

					1896 Principal Clerk 1898 Assistant Under Secretary of State
Secretaries					
Arthur Berriedale Keith	1903-5	24	Advertising Agent	Royal High School, Edinburgh Edinburgh University, MA degree in Classics (First class) Balliol College, Oxford BA degree in Classics Mods (First Class) Bar exams, Inner Temple	1901 Upper Division exam (First in year) 1901-3 CO Junior Clerk
Sir Percy Herbert Ezechiel	1905-20 (CA 1920-37)	30	Army Officer	Bombay University BA London University BA Trinity College, Cambridge BA Maths (First class) Bar exams, Middle Temple	1898 Upper Division exam (3rd in year) 1899 CO Junior Clerk
Head of Engineering					
Sir Lieut-Col James Forrest Halkett Carmichael	1905-21 (CA 1921-32)	37	Indian Civil servant	Clifton College Royal Military Academy, Woolwich	1887 Commission in Royal Engineers 1889-1900 Served in India, Aden, Somaliland and Burma 1903 Employed by the Ordinance Survey
Chief Clerk and Accountant					
Edward Gream Antrobus	1879-20 (1879-93 Assistant Accountant)	19	Rector	Charterhouse	-

colonial governors.[1] Four of the Agents had worked in the colonies and thus had some understanding of the problems/needs of their principals, and two had engineering qualifications, highly appropriate for the construction supervision work of the Agency.

On entering the Office, each CA was required to provide £10,000 security in the form of promissory notes, half of which had to be put up by a third party, generally a friend or relative.[2] The bonds increased the financial cost of opportunism and added a social cost, in that the loss that could be suffered by the third party would ensure that any malpractice would become common knowledge in the social circles in which the Agent moved. The sureties also minimised the problems of adverse selection, as only candidates with no intention of acting immorally/shirking would be willing to provide



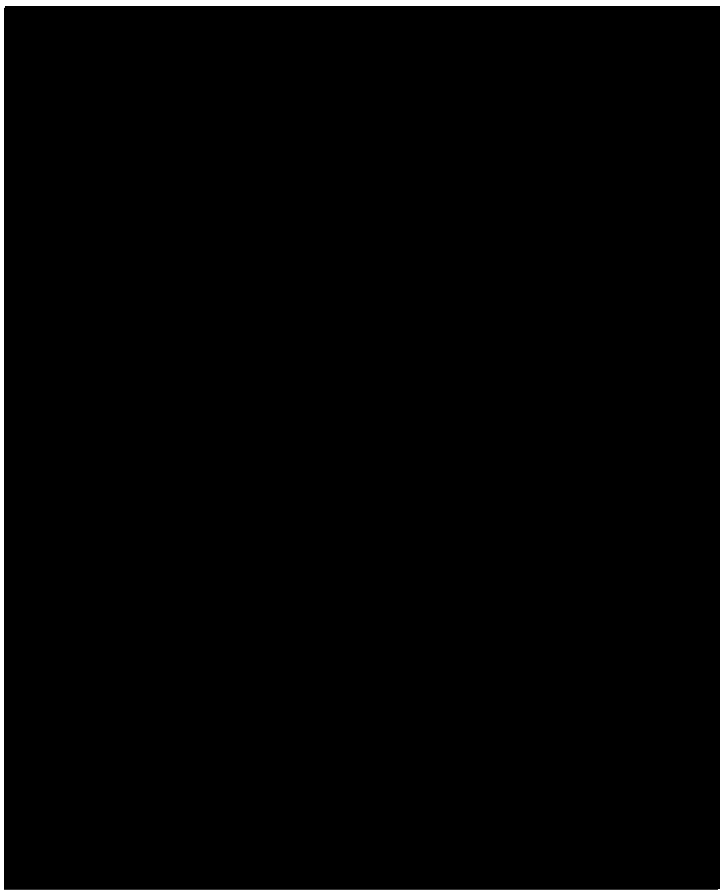
Sir William Sargeaunt[3]

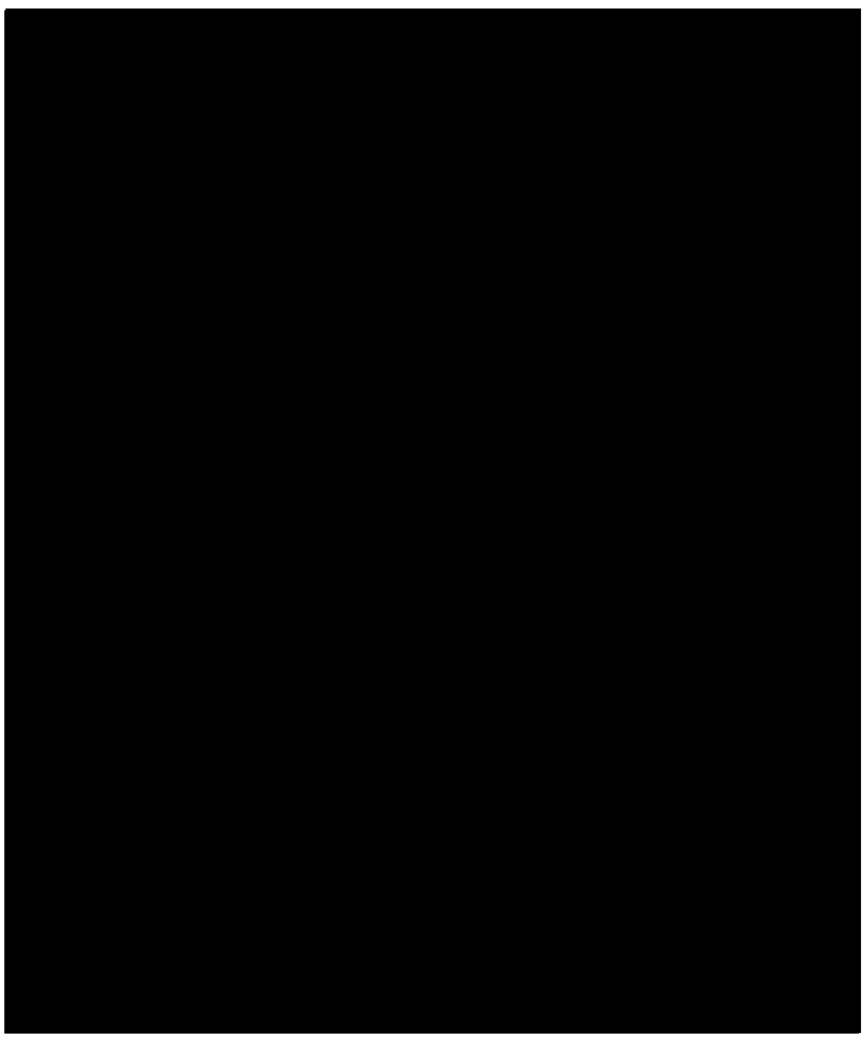
[1] CO officials had more upper-middle class backgrounds than the Agents, and were invariably Oxbridge educated (J.M. Carland, *The CO and Nigeria 1898-1914* (London, 1985), p. 22).

[2] Sargeaunt's third party surety was provided by J.B. Sargeaunt; Ommanney's by Octavious Ommanney and Col. E.O. Hollist: Blake's by C.C. Gooch, his brother-in-law; and Cameron's by Thomas Shelford, and, from 1900, Sir H.E. MacAllum and Dr W.G. Ancrum (CAA: Accounts). In 1889, on the death of Gooch, Blake was allowed to put forward his house as third party security (CO 323/375b/6790, Blake to Meade, 29 March 1889). Mercer was permitted to obtain a bond from an insurance company (CO 323/504/12978. CAs to CO, 19 April 1905).

[3] CAA.

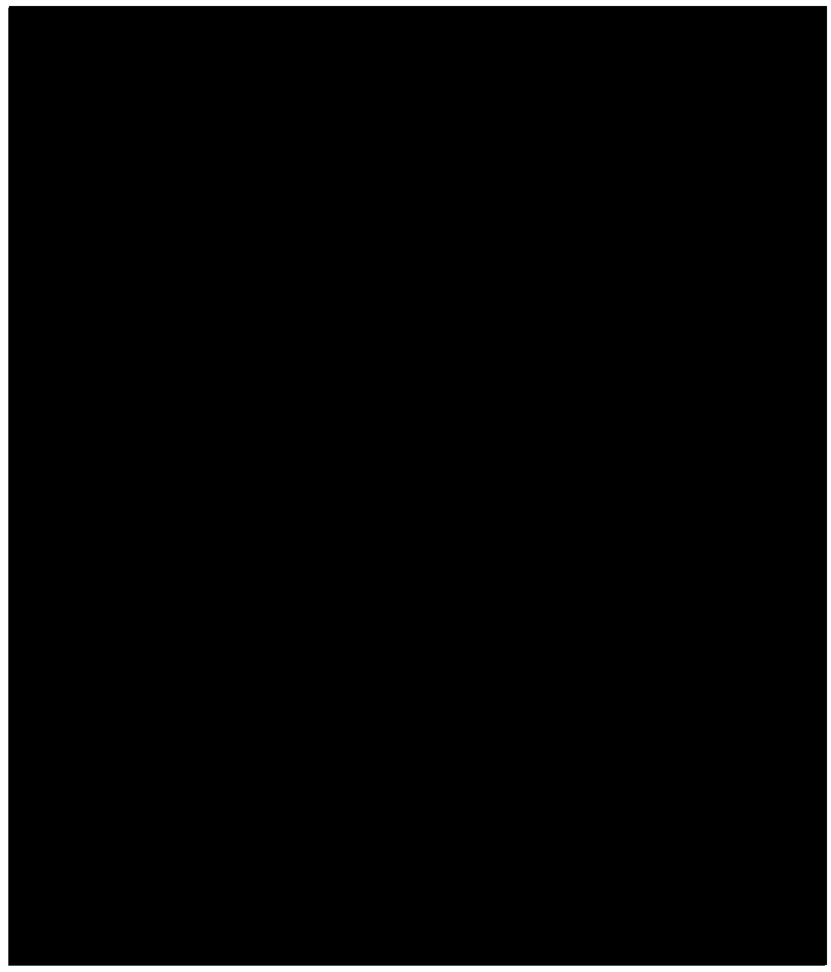
Sir Montague Ommanney[1]



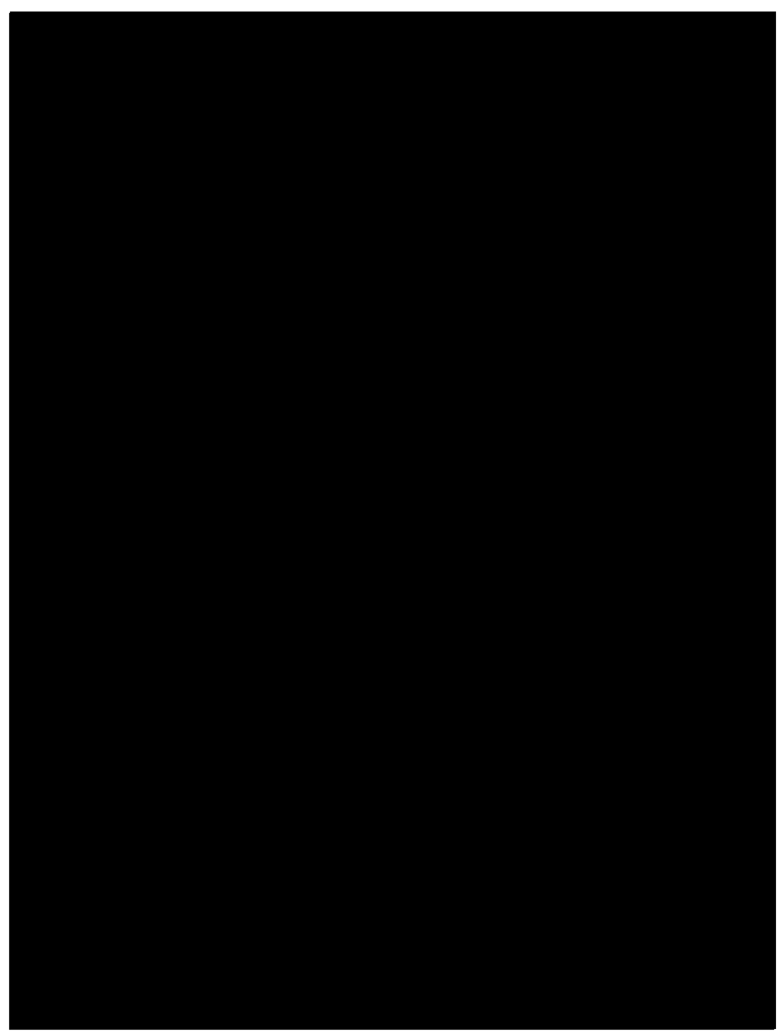


Sir William Mercer[4]

Sir Ernest Blake[2]



Major Maurice Cameron[3]



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[1] SA: *The Graphic*, 26 May 1900.

[2] CAA.

[3] *Ibid.*

[4] *Ibid.*

bonds, and the readiness of third parties to provide securities testified to the prospective Agents' reputation for trustworthiness, The use of sureties, however, had a number of drawbacks, and, in 1900, the CO Principal Clerk G.V. Fiddes admitted that he had 'no belief in the system'.[1] On the one occasion Agents were fined, the deterrent effect of the bonds was reduced by the fact that the sums were paid into the Office Reserve Fund, and thus, by increasing the financial security of the Office, benefited the Agents. Similarly, the need to provide a surety may have discouraged potential Agents from putting themselves forward or accepting positions. The bonds, even at £10,000, also failed to cover the maximum loss that could arise from moral hazard, but could not be raised in value, as a larger security would have been beyond the means of the Agents.

The CO monitored the Agency's activities through the Crown colonies, by requiring it to obtain authorization for its more important actions and to provide information on the completion of each piece of work,[2] and, from 1901, through the appointment of the former senior CA Sir Montague Ommanney to the position of Permanent Under Secretary of State. In addition, from 1875 to 1903, the CO could physically monitor the Agents, who occupied offices rented from them in Downing Street.[3] Unfortunately, most colonial complaints were sent to the geographical departments of the CO, who often failed to pass them onto the general department, the direct supervisor of the Agency.[4] Moreover, Sir Reginald Antrobus, the head of the general department and from 1898 the Assistant Under Secretary of State, favoured the Agents, influenced perhaps by the fact that his brother, E.G. Antrobus, was their Chief Clerk and Accountant, and Ommanney, throughout his time at the CO, acted as their

[1] CO 323/452/6740, Fiddes, 6 March 1900.

[2] These aspects of monitoring are discussed in more detail in the following chapters.

[3] CO 323/322/7847, CAs to CO, 13 July 1875. In 1902, the Agents moved to Whitehall Gardens, and in 1916 to Millbank (*Abbott, A History*, pp. 28, 34).

[4] The CO was aware of the problem (CO 323/545/10303, Round, 13 Dec. 1908).

apologist.[1] On a higher level, before 1870, the Agents also had to provide the CO with monthly accounts, accompanied by relevant documentation, which were audited by the Auditor-General. The Treasury's refusal to pay for the full audit of an office not financed by the Imperial government, however, meant that from 1870 only those accounts of colonies in receipt of grants-in-aid received a full government audit. The accounts of other colonies were audited by colonial accounting departments, who often lacked the personnel and expertise to effectively scrutinise expenditure.[2] As for the Agents' own Office accounts, those received by the CO in 1880 only exercised 'a fictitious control over the Agents' expenditure', and even after the CO had demanded the provision of more information they remained inadequate.[3] Until 1905, they were subject only to a protective audit, which merely ensured that money had been expended for sanctioned purposes.[4] Thereafter, a full audit was undertaken, but its effectiveness was weakened by the CO's insistence that, to maintain the Agency's discretion, authority for expenditure should be limited to proof that a sum had been paid.[5]

Finally, the CO tackled moral hazard through the payment of non-compensatory wages. The Agents' salaries were high as compared to those paid to their counterparts in the civil service (Table 2), but 'much lower than those of the principal officers of banks and insurance officers', who, in 1908, 'earned £3,000 or £4,000 or more'.[6]

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[1] Throughout his time at the CO, Ommanney received a £200 pa pension from the Agents (*Hansard*, 4th series, 1904, cxxxvi. 693).

[2] In 1908, for example, the auditing system used in Sierra Leone, Gambia, and Uganda had to be replaced, as 'the native clerks to whom the actual working details are necessarily entrusted are not competent as a rule to carry out satisfactorily the procedures which such a system involves' (CO 323/545/8367, Audit dept. to CO, 7 March 1908).

[3] CO 323/343/1054, Blake, 11 Feb. 1880. In 1880, the Agents were required to additionally supply details of pensions, incidental expenditure, CA third party securities, staff salaries, and Office Reserve Fund investments (*ibid.*, CO to CAs, 5 June 1880). From 1884, they also had to supply the names and addresses of CA sureties and details of Reserve Fund transactions (CAA: M 5, CO to CAs, 12 Aug. 1884).

[4] CAA: CA 73/4, CO to Auditor-General, 10 July 1905.

[5] *Ibid.*

[6] CO 323/396/8119, CAs to CO, 10 May 1894; CO 323/538/5221, Harris, 15 June 1908.

Table 2: CA and other Government Salaries 1908[1]

Organisation	Position	Salary (£pa)	Post-Enquiry Salary (£pa)
CAs	Senior Crown Agent	2,500	1,800-2,000
	Second Crown Agent	1,500-1,800	1,500-1,800
	Third Crown Agent	1,300-1,500	1,300-1,500
	Class 1 Clerk	450-600	550-700
	Class 2 Clerk	300-450	350-500
	Class 3 Clerk	90-300	100-350
	Class 4 Clerk	70-250	70-250
CO	Secretary of State	5,000	
	Permanent Under Secretary	2,000	
	Parliamentary Under Secretary	1,500	
	Assistant Under Secretary	1,200-1,500 (after 5 years)	
	Second Assistant Under Secretary	1,200	
	Third Assistant Under Secretary	1,000-1,200 (after 5 years)	
	Upper Division Principal Clerk	850-1,000	
	Upper Division First Class Clerk	600-800	
	Upper Division Second Class Clerk	200-500	
	Lower Division Higher Grade Clerk	250-350	
	Lower Division Lower Grade Clerk	70-300	
India Office	Director General of Stores	1,200	
	Accountant General	1,200	
	Deputy Director General of Stores	800-1,000	
	Deputy Accountant General	800-1,000	
Board of Trade	President	2,000	
	Permanent Secretary	1,500-1,800	

[1] *PPR*, p. xxii-xxiii; *PPE*, Appendix ii; *PP 1909*, lv (54), p. 111.

Ommanney argued that the salaries were reasonable.[1] The premium over civil service incomes reflected the relative insecurity of their employment and greater responsibilities. Whereas their relatively low pay as compared to the private sector was compensated by their greater security, generous pension rights, and the 'recognition of their services in forms other than mere salary', that is titular awards and status.[2] Others at the CO, however, had 'long...(had)...the impression' that the payments were 'unduly high'.[3] It was pointed out that the Agents earned more than those in equivalent posts at the I[ndia] O[ffice], WO and Admiralty, that their position was as secure as that of most civil servants, and that much of their work was routine and required little business experience. In response, the CO, on the resignation of Sir Ernest Blake, reduced the Senior Agents' salary by £700 to £1,800 pa.[4]

In fact, the salary premium earned by the Agents appears to have had little to do with job security or skill, but was rather designed to increase the cost of opportunism, with the Senior Agent's salary only being reduced, when, after the reorganisation of the Office, opportunism was less likely.[5] Earnings were lower than those paid in the private sector because dismissed Agents would be unable to obtain equivalent positions in the City, and higher than those earned by officials in the IO, WO and Admiralty, because the work of these departments could be more easily monitored.[6] The purpose of the premium is clearly reflected by the manner of its growth. Each time the CO discovered behaviour that was or could be perceived as opportunistic, it

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[1] CO 323/499/28851, Ommanney to Lyttelton, 15 Aug. 1904.

[2] *Ibid.*

[3] CO 323/548/45741, Harris, 15 Dec. 1908. Their conclusion was supported by the chairman of the 1908 enquiry into the Agency, who privately recommended that the salaries should be reduced (*ibid.*, Seely to CO, 10 Dec. 1908).

[4] CO 323/562/12420, Hopwood to Antrobus, 29 June 1909.

[5] In 1870, Sir R. Herbert acknowledged that it was a 'dangerous economy to underpay an Office exposed to great temptation', though 'the gains which might be made by unprincipled men in this position are so large that a few hundreds per annum additional salary would not operate to make a doubtful man honest' (CO 323/299/181, Herbert, September 1870).

[6] The WO and Admiralty bought a restricted range of articles; the IO shipped goods only to India; and the issue of IO loans was largely undertaken by the BE.

forced the Agents to abandon the practice, but compensated them for their pecuniary loss. In 1876, for example, the salaries of the Senior and Second Agents, who had obtained £6,000 in private commissions for the issue of New Zealand loans, were increased by respectively £300 and £200 on condition that no further sums were accepted.[1] Similarly, in 1892 salaries were again raised to compensate the Agents for the loss of fees earned for their coolie emigration work, which were believed not to be 'free from objection'.[2] While, in 1904, after Parliamentary criticism of the Senior Agents' directorship of the company that handled the Agency's shipping insurance business, the CO ruled that Agents should no longer hold directorships, and, in recompense, increased the Senior Agent's pay by £200 and that of the Second and Third Agents by £100.[3]

Compared to the staff of the WO purchasing department, the clerks employed by the CAs appear to have been relatively honest.[4] Minor corruption, however, was not unknown. In 1905, the Agents considered it necessary to circulate to staff a memo reminding them that any Christmas boxes or presents received from suppliers should be returned.[5] In 1906, it was discovered that a clerk had given valuable information to a dealer regarding the issue of Crown colony stamps.[6] And in 1907 it emerged that clerks had sold 'thousands' of used stamps removed from CA correspondence to dealers, receiving in return up to a third of the face value of the stamps.[7] To minimise

[1] CO 537/218, Meade, 22 Feb. 1876.

[2] CAA: M 38.

[3] CO 323/499/28851, Ommanney to Lyttelton, 15 Aug. 1904. All these episodes are discussed in greater detail in subsequent chapters.

[4] In their report, the Select Committee on WO Contracts concluded that they had 'received evidence in some cases in which bribes were offered and...(had)...heard a few cases where bribes may have been accepted' (*PP 1900*, ix (313), p. ix).

[5] CAA: Memorandum book, vol. 1, 21 Dec. 1905.

[6] *Ibid.*, 2 March 1906.

[7] *Ibid.*, 4 March 1907; *Gibbons' Stamp Weekly*, vol. 5, part 8, p. 128.

corruption and also reduce shirking, the Agents recruited only candidates whose honesty and abilities were verifiable; adopted a number of pecuniary incentives; required some staff to provide bonds; closely monitored work; attempted to create an ethical office culture; and made it clear that any clerk discovered acting fraudulently would be dismissed and subject to legal action under the 1899 Official Secrets Act and the 1906 Prevention of Corruption Act.[1]

Provided that they kept within the CO limit on the maximum amount that could be spent on employees, the Agents had complete discretion over who should be employed and individual staff salaries.[2] Before 1901, recruitment was 'a matter chiefly of friends of the CAs and soldier clerks'.[3] In addition, the Agents employed candidates recommended by their own staff and by the CO, generally 'the sons of colonial governors, people who have done good work for the country' (Introduction, Table 3).[4] Such recruitment reduced search costs and the cost of discovering suitable employees and minimised adverse selection. The Agents had personal knowledge of the ability and honesty of their own relatives; could easily discover the abilities of soldier clerks from their army records; and could be confident that their staff would recommend competent candidates, as each clerk was aware that 'he would incur a very severe responsibility if he said that he had a very smart lad he knew and that lad did not turn out smart'.[5]

It could also be argued that this method of employment reduced the likelihood of moral hazard. The personal relationship between the Agents, staff, and CO officials with new employees increased the social cost of opportunism. While the employment

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[1] CAA: Memorandum book, vol. 1, 1 Jan. 1907; *ibid.*, 4 March 1907. See also *PPE*, q. 1044.

[2] CAA: M 5, CAs to CO, 14 Jan. 1880.

[3] *PPE*, q. 2570. The soldier clerks were former army Non-Commissioned Officers. They were first employed by Sir Julyan Penrose, who before joining the Agency was Assistant Commissary General of the army commissariat (*BBI*; *PPE*, q. 128).

[4] *Ibid.*, q. 117, 1656.

[5] *Ibid.*, q. 143.

of the relatives of existing clerks and army clerks, who already possessed a set of shared values, contributed to the establishment of an Agency culture of trust. However, there is evidence that the Agents in their treatment of staff favoured those clerks recommended by themselves and the CO, since the punishment of such employees carried a social/political cost for the Agents and their advancement a social/political gain. In letters to the press in 1904, the Agents' staff complained that the Office was run by a 'family party', that salary increases and promotions went to those who least deserved them, and that 'favouritism alone rules the day'.[1] Such inequity will have weakened the ethical culture of the Agency and reduced productivity.

Apart from the ex-army officers and the very occasional employment of men with special technical training, most of the clerks were recruited at the age of 17 to 19, immediately after leaving school.[2] The employment of young men reduced costs; contributed to the development of an Agency culture, as they were highly susceptible to influence; allowed the Agents to ensure that any clerk promoted to more difficult work possessed the required honesty and ability; and, along with the rapid growth of its workload, caused the Office to be staffed by relatively young employees, who were flexible and adaptable to change.[3] The majority of clerks had a minor public school education, which, as such schools laid great stress on morality, increased the likelihood that they would be honest, and, since they shared a common set of values, encouraged the creation of an Office culture.[4] 'University men' were generally not appointed, as 'if you got too clever a set of men into the Office, they would become

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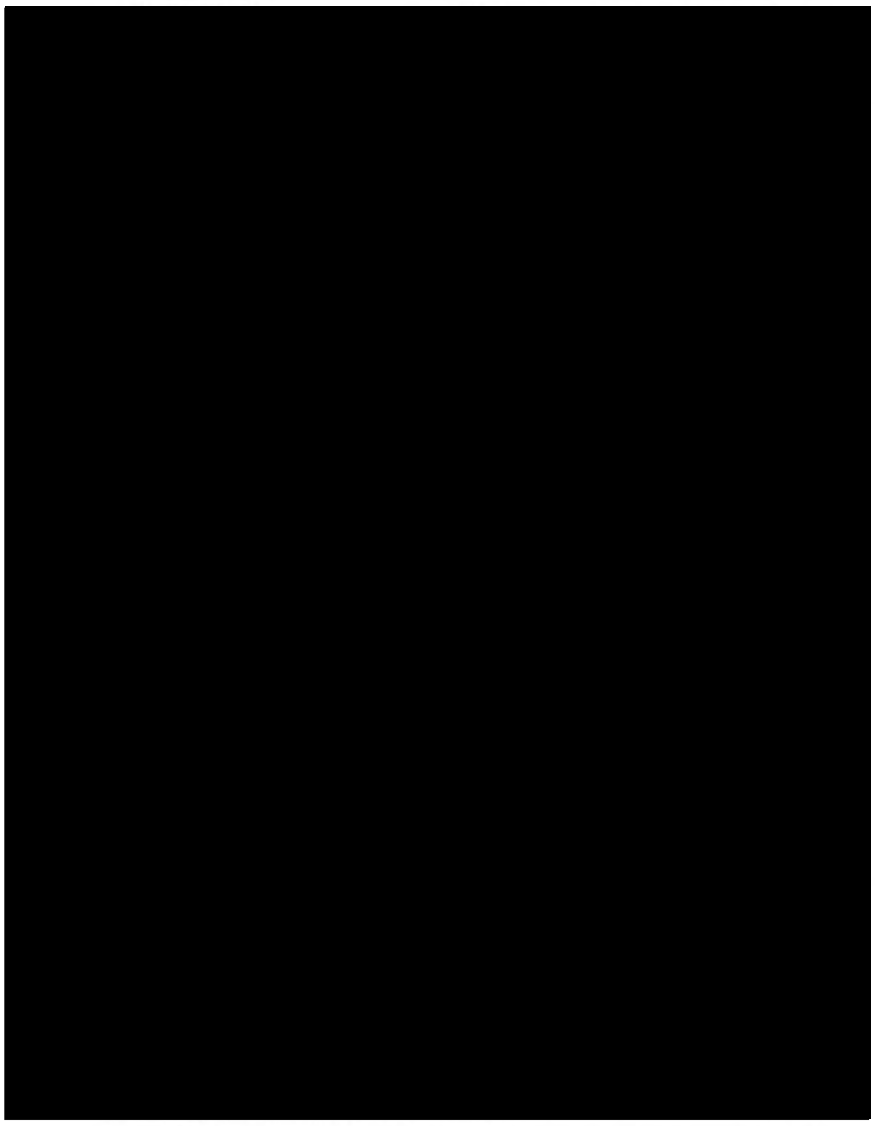
[1] *Pall Mall Gazette*, 17 Aug. 1904, p. 8; *ibid.*, 20 Aug. 1904, p. 3; *ibid.*, 1 Sept. 1904, p. 10.

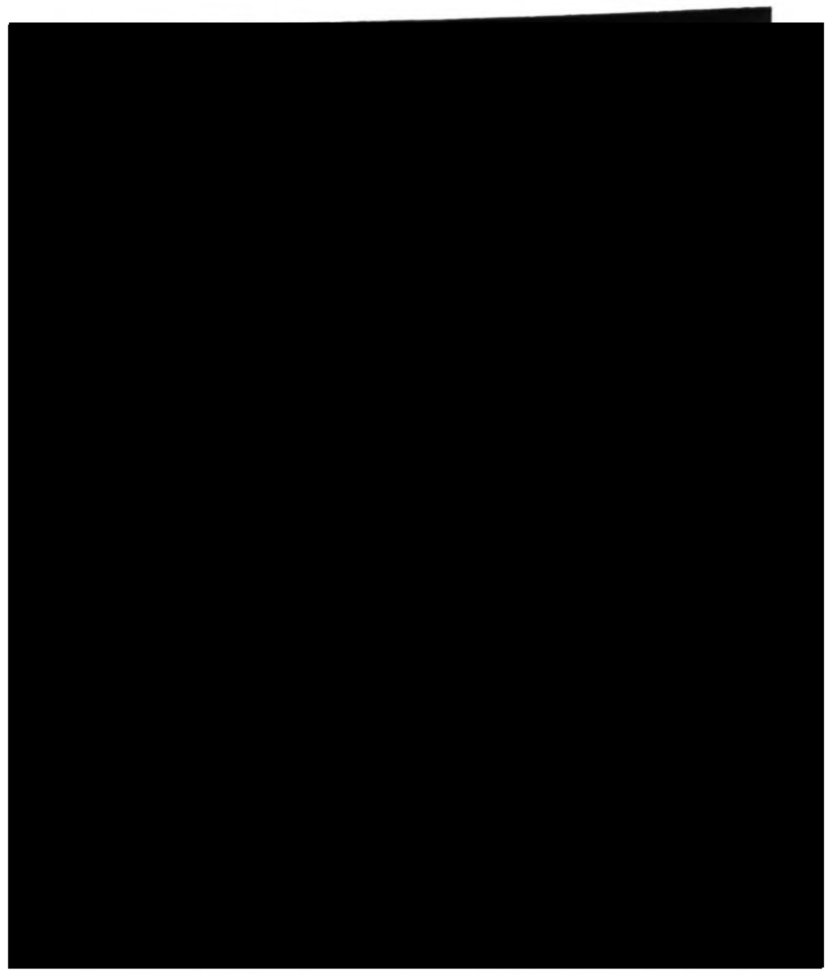
[2] *PPR*, p. viii. The Engineering Clerk, T.R. Marsh, and Draughtsman and Estimator, W. H. Lancaster, employed in respectively 1874 and 1879, had engineering qualifications; the clerk F.W. Deakin, recruited in 1895, had previously worked for messrs Glynn Mills Currie & Co., and had 'considerable experience of banking and transfer work'; and the Bookkeeper and Accountant from 1879-1902, J.W. Leonard, had 'commercial and financial experience in the mediterranean and Eastern trades' (CO 323/453/29986, CAs to CO, 13 Sept. 1900; CO 323/608/3644, CAs to CO, 31 Jan. 1913; CO 323/797/55272, Deakin to CAs, 4 Sept. 1919; CO 323/474/30615, CAs to CO, 22 July 1902).

[3] The average age of established male clerks in 1900 and 1910 was respectively 33 and 29 years (*CO List 1900*; *ibid., 1910*; CAA: Staff register, vol. 1).

[4] *PPE*, q. 129.

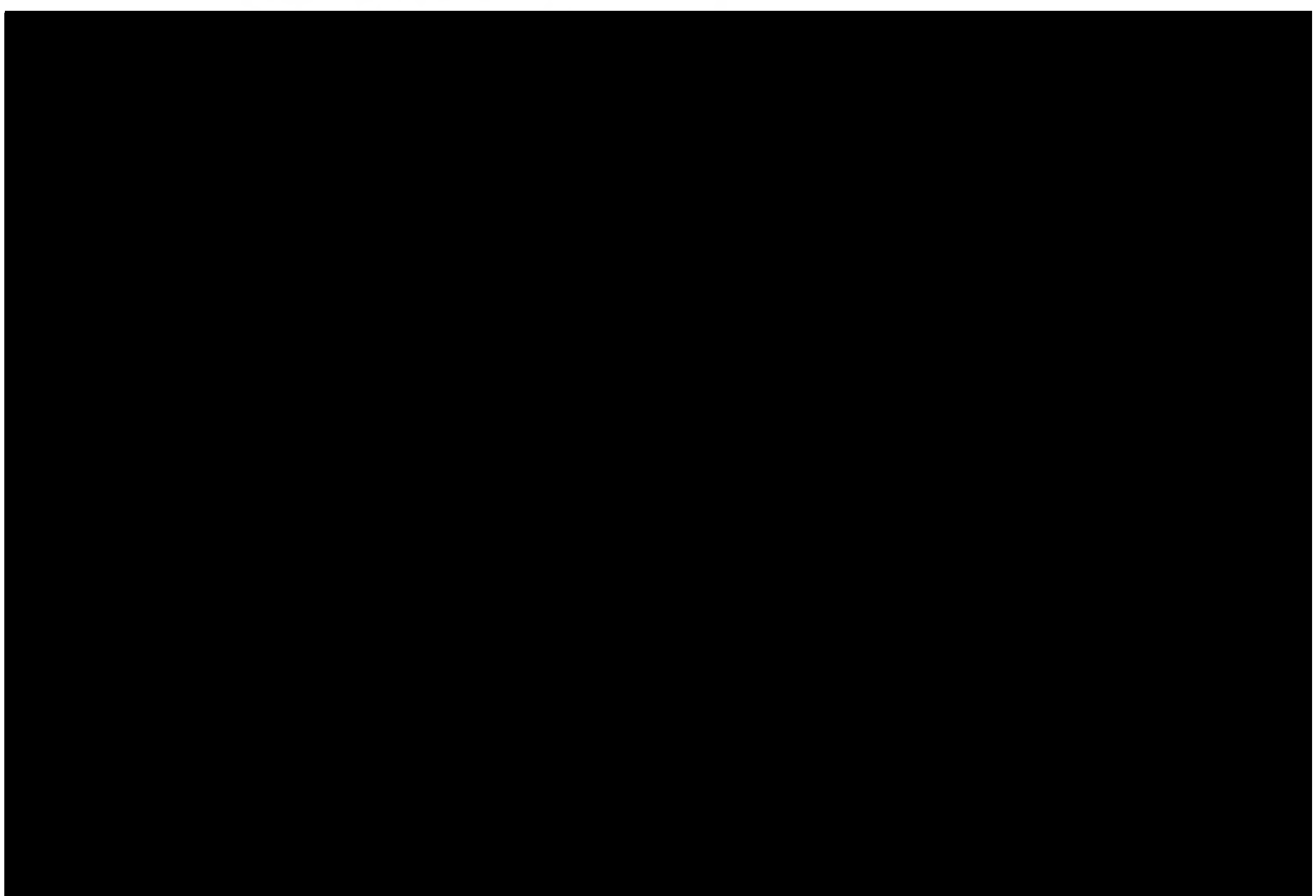
Arthur Berriedale Keith, First CA Secretary[1]





Percy Herbert Ezechiel, Second CA Secretary[2]

CA Downing Street Offices[3]



[1] Ridgway F. Shinn Jnr, *Arthur Berriedale Keith 1874-1914* (Aberdeen, 1990), p. 14.

[2] *Crown Colonist*, August 1933, p. 344.

[3] *CAs' Review*, 1 (1985), p. 19.

desperately discontented and they would aspire to become CAs'.[1] They also tended to be less efficient at routine work and were difficult to 'get rid off if they are not suitable'.[2] After recruitment, few staff left the Office before they retired, the age of which was left open, and there were few dismissals.[3] This again encouraged the development of an Office culture, though it may also have led to inflexibility and resistance to change.

In the late 1890s, the Agents reformed their recruitment policy. From 1900-8, the Works Department employed ten clerks with engineering qualifications, four of whom had previously worked in engineering companies, three for CEs, and two for railway companies.[4] Similarly, five clerks were obtained through the civil service second division exams, and after 1901 slightly over half of their class iv clerks were recruited from those boy copyists who, during their time at the Office, had studied for and passed the second division exam.[5] The exam gave the Agents some indication of the abilities of the candidates, which, in the case of the former boy copyists, was supplemented by the Agents' own knowledge of their work. Class iv clerks, however, continued to be recruited through patronage, and the resultant personal jealousies that developed between these employees, known in the Office as 'nephews', and those who had passed the civil service exam affected productivity.[6] To prevent such problems and 'the suspicion of jobbery', the 1908 enquiry committee advised that all clerical staff should be appointed through competitive examinations, a recommendation put

[1] *Ibid.*, q. 3930.

[2] *Ibid.*, q. 23, 1180.

[3] *Ibid.*, q. 1975, 1977. In 1886, the Chief Clerk finally retired at the age of 74, and, in 1891, the Inspector of clothing and dry goods left the Office at the age of 73 (CO 323/364/5664, CAs to CO, 2 April 1906; CO 323/383/14469, CAs to CO, 16 July 1891).

[4] CO 323/548/45364, schedule.

[5] *PPR*, p. viii.

[6] *PPE*, q. 117, 142; CAA: M 82. Three of the class iv clerks recruited from 1901-8 were recommended by members of the CAs' staff; three by the CO; three by the librarian of the Royal Colonial Institute; and one by a supplier (CAOG 17/22, memo, 5 Oct. 1908).

into effect in 1909.[1]

The Agents' pecuniary moral hazard deterrents took the form of high pensions, a generous life insurance scheme, and poundage. No non-compensatory salary premium was paid (Table 2), as the relatively small potential losses from moral hazard did not justify such payments, and the relatively high demand for the skills of CA clerks in industry and the City lessened the opportunity cost of dismissal.[2] The Agents did, however, on occasion grant staff bonuses when their workload temporarily increased, which helped to build employee goodwill.[3] Theoretically, CA pensions were granted in 'strict accordance with the rules observed in the Imperial service'.[4] In reality, they tended to be 'calculated on a more favourable basis' until 1909, when, owing to the reorganisation of the Office and the reduced likelihood of moral hazard, they were reduced to the level of the civil service.[5] Their payment again increased the cost of dismissal, particularly towards the end of a clerk's career, when further promotion was unlikely and the temptation to reduce effort was high, and the clerk's knowledge and experience increased the likelihood that any fraudulent act would be successful. They were also, if a clerk was dismissed, a relatively cheap form of deterrent, and the Agents' discretion, as regards the size of the pension granted, again helped them to establish a network of trust with their staff.

From 1895, employees also obtained generous life insurance. Before then, widows and orphans were dealt with individually on their merit, which forced the Agents to undertake the 'disagreeable duty' of investigating their pecuniary circumstances.[6]

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[1] *PPR*, p. viii.

[2] Three of the 17 clerks who left the Office from 1904-8 obtained work in the private sector (CAOG 17/22, memo, 15 Oct. 1908).

[3] In 1891 and 1897, clerks earned bonuses for the extra work generated by the purchase of goods for, respectively, the British S. Africa Co. and the De Beers Volunteers and the Uganda railway (CO 323/383/15937, CAs to CO, 17 May 1891; CO 323/415/5386, CAs to CO, 13 March 1897).

[4] CO 885/19/223, iv.

[5] *PPR*, p. xiv.

[6] CO 323/393/11909, CAs to CO, 13 July 1893.

When the CO asked the Agents to slow the growth of their Office Reserve Fund, they therefore proposed the establishment of a life insurance scheme, whereby staff and the Agents would pay respectively 1/5 and 1/4 of their premiums and the Office Reserve Fund the remainder.[1] The CO at first rejected the proposal, arguing that the Fund was 'public money and not the property' of the Agency, and that the Agents were seeking 'what the civil service has not got and...more than what any mercantile clerk gets'.[2] After much discussion, however, the CO relented and authorised a slightly less generous scheme, under which existing staff and new employees earning less than £300 pa contributed 1/4 of their premiums and the CAs and new staff with salaries over £300 pa paid 1/3 of their premiums.[3] The scheme again increased the opportunity cost of dismissal, giving, according to Blake, the Agents 'the greatest hold over the staff possible, because men know that if there was any corruption they would lose their benefits'.[4] In addition, it discouraged Agent moral hazard, and again helped to create an ethical Office culture. In 1909, on the advise of the committee of enquiry, a new scheme 'of a more modest character' was introduced for all new employees, who paid at least 2/3 of their own premiums.[5] After much CA pressure, the CO also allowed new staff, if they wished, to join the civil service scheme, which provided a lump sum on retirement and applied to unmarried as well as married men.[6]

Poundage was the commission paid by the Inland Revenue to the Agents for their collection of tax on colonial salaries, pensions, and dividends. Since the Agency was not a wholly public office, it was allowed by the Treasury, unlike other government

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[1] *Ibid.*

[2] *Ibid.*, Meade to Ommanney, 17 Nov. 1893; CO 323/393/21057, Meade to Ommanney, 3 March 1894.

[3] *Ibid.*, Ommanney to Meade, 24 Feb. 1894. Married men earning up to £300 pa could insure themselves for between £500 and £1,000; those on incomes of £300 to £1,000 pa for £2,000; those earning from £450 to £800 pa for £1,500 to £3,000; and the CAs for £5,000 to £10,000 (*ibid.*) Sir R. Meade commented 'the CAs open their mouths very wide' (CO 323/396/8119, Meade, 18 Aug. 1894).

[4] *PPE*, q. 1187.

[5] *PPR*, p. xvi.

[6] CAOG 16/265, CO to CAs, 22 Nov. 1911.

departments, to keep the payments.[1] The sums were originally distributed among those staff engaged in the collection of tax. However, complaints from other employees caused the Agents in 1902 to pay the actual collectors of tax only £5, and to distribute the remainder to the rest of the Office on a pro-rata basis.[2] The Agents also determined that any loss resulting from the carelessness or fraudulent activity of a member of staff would be directly recovered from poundage before distribution.[3] The payments amounted to roughly 4% of salaries, and again increased the cost of opportunism.[4] In addition, they 'tended to create a healthy public opinion in the Office against members of staff who may be guilty of carelessness', that is discouraged 'free riding', the tendency, where individual contributions to a final output cannot be identified, for team members to put in less effort than their colleagues. They also encouraged 'whistle blowing', members of staff informing management of the fraudulent acts/mistakes of colleagues. After 1909 and the reduction of the threat from moral hazard, poundage was no longer distributed to staff, but treated as office income, with existing employees receiving a personal allowance equal to average poundage payments of the previous three years in compensation.[5]

Other methods adopted by the Agents to minimise adverse selection/moral hazard were bonds, monitoring, and the establishment of an Office culture. Bonds were supplied by fifteen members of staff, whose jobs were difficult to monitor and whose lack of effort/corruption could lead to major losses.[6] The securities varied from £100 to £5,000, depending on the employee's level of income and the potential cost of moral hazard, and had to be provided by third parties. In 1901, these securities were replaced by bonds obtained from guarantee societies, the premiums of which were met

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[1] CO 885/19/223, iv.

[2] *PPE*, q. 1150-1.

[3] CAA: Memorandum book, 1 July 1901.

[4] *PPE*, q. 1728. In 1909, poundage totalled £1,141 (*PP 1910*, lxvi (Cd 5391)).

[5] *PPR*, p. xv.

[6] CO 323/548/45364, Blake, 1 July 1901.

from poundage.[1] The need to provide securities thus no longer discouraged applications for jobs, and the likelihood that theft would increase premiums and reduce the amount of poundage available for distribution encouraged 'whistle blowing'.

Monitoring was facilitated by the restriction of decision-making, the effectiveness of which was difficult to measure, to the CAs, and, until 1901 and the employment of an Office Secretary, by requiring all letters and tenders entering the Agency to be opened in the presence of an Agent, who also signed all outgoing correspondence and cheques.[2] In addition, much of the work of the Office was divided into highly specialised routine procedures, which could be easily supervised and also reduced costs.[3] Such practices, however, had a number of drawbacks. The restriction of decision-making to the Agents and their adoption of many routine tasks made it difficult for them 'to give to the larger and more important questions...the time and attention which they require'.[4] While the inflexibility of the rules that governed the specialised procedures reduced the Office's ability to respond to changes in its environment, and the boring and repetitive nature of the work and the few opportunities for exercising judgement may, in the case of some of the clerks, have led to poor motivation and low productivity.

Finally, until 1900, the Agents made great attempts to establish networks of trust with their staff through the provision of praise, and the granting of high pensions, a generous life insurance scheme etc. Any success, however, was destroyed by the promotion of Sir Ernest Blake to the post of Senior CA in 1900. Whereas his predecessor, Sir Montague Ommanney, was 'a man of even temper and great kindliness of heart, and...a kind and considerate head of an office', Blake was a 'born

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[1] *Ibid.*

[2] CO 323/483/16903, CAs to CO, 9 May 1903.

[3] The adoption of routine procedures allowed the employment of less skilled workers, and increased productivity by minimising training and the time employees spent moving from task to task and in consultation with management (*Child, Organization*, pp. 26-30).

[4] CO 323/483/16903, CAs to CO, 9 May 1903. See also *PPE*, q. 4121.

autocrat' and 'tyrant', who believed that the 'personal interests' of staff 'came second' to efficiency, and opposed any change that would 'make our clerks our masters'.[1] His low opinion of his staff, favouritism, and personal vendettas greatly reduced morale and management/employee trust.[2] Relations were further soured by his encouragement of older class iii and iv clerks 'to move on' to avoid the classes being composed of 'responsible mediocrity', and by his attempts to reduce costs, which led to an increase in workloads, long hours of unpaid 'depressing and wearisome' overtime, particularly during loan flotations, and low or non-existent annual increments in salary.[3]

Much to his clerks' disgust, he was also reluctant to complete the bureaucratization of the Office and formalise staff conditions. Before 1908, the Agency had no set scales of pay or increment, as Blake feared that such concessions would result in 'clerks dictating to us what we should do', and believed that 'if you give a man fixity of tenure absolute, fixity as regards salary, and everything else, to a great extent, the stimulus for work is withdrawn'.[4] The staff's discontent became so great that, in 1904, several employees wrote anonymous letters to the *Pall Mall Gazette* and *Times*, in which they listed their grievances and complained that Blake refused to discuss the

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[1] *Times*, 25 Aug. 1925, p. 13; *PPE*, q. 122, 4064; CAA: M 64, character sketch by A.W. Abbott. Abbott joined the Office three years after Blake resigned. Even before he became Senior CA, Blake 'was not an easy man to live with' (E[dinburgh] U[niversity]: K[eith] P[apers], Gen 144/3/24, Anderson to Keith, 7 Aug. 1905).

[2] Blake, for example, believed that the 'deadening effect of routine work' made his staff unable to make effective decisions, and ensured that the Deputy Head of the works department, who had done 'good work for many years', but with whom he 'did not get on at all well', stayed on 'a relatively low wage' (*PPE*, q. 1079; CO 323/608/3644, CAs to CO, 31 Jan. 1913; *ibid.*, Harris, 5 Jan. 1913). His lack of 'consideration' towards Arthur Berriedale Keith, the Office's first Secretary, caused Keith, in 1905, to return to the CO, even though, in doing so, he took a 50% salary cut and was denied the seniority he had accumulated before joining the Agency (KP: Gen 144/3/58a, Keith to Mercer, 29 March 1905; Gen 144/3/24, Anderson to Keith, 7 May 1905). Blake, believing that Keith wished to use his position to keep him 'in the dark in all important matters', encouraged CA staff to circumvent the Secretary; unfairly complained about his work, later dismissing the criticism as 'a joke'; refused to provide his room with adequate heating or running water and then decided, without consultation, that he should no longer have his own office; and, after promising him that he would be made a CA 'in a few years', created the Head of Engineering position, the occupant of which was almost certain to become an Agent (*ibid.*, Gen 144/3/58a, Keith to Mercer, 29 March 1905; Gen 144/3/56, Keith, 30 May 1905; Gen 144/3/69, Keith, 27 Nov. 1903).

[3] *PPE*, q. 1078, 4010, Appendix vi; CAOG 16/12, Alford, 21 Jan. 1908. From 1904-8, 17 members of staff resigned. The clerk Alford claimed that, from June to October 1907, he had worked overtime on 109 working days, staying until after 6.30 pm on 60 days, and after 7 pm on 44 days, the equivalent of one full months work (CAOG 16/12, Alford, 21 Jan. 1908). Overtime was unpaid, as Blake believed that if payment was made 'your staff will create overtime' (*PPE*, q. 4073).

[4] *PPE*, q. 842, 4064, 4069.

matters with staff representatives.[1] In response, Blake organised an internal committee to investigate the sources of discontent, which put forward a series of suggestions, including the creation of a set pay scale.[2] Few of the recommendations, though, were put into effect, and a pay scale was only introduced, on the advice of the 1908 committee of enquiry, in 1909.[3]

[1] *Pall Mall Gazette*, 17 Aug. 1904, p. 8; *ibid.*, 20 Aug. 1904, p. 3; *ibid.*, 26 Aug. 1904, p. 2; *Times*, 30 Aug. 1904, p. 10.

[2] *PPE*, Appendix vi.

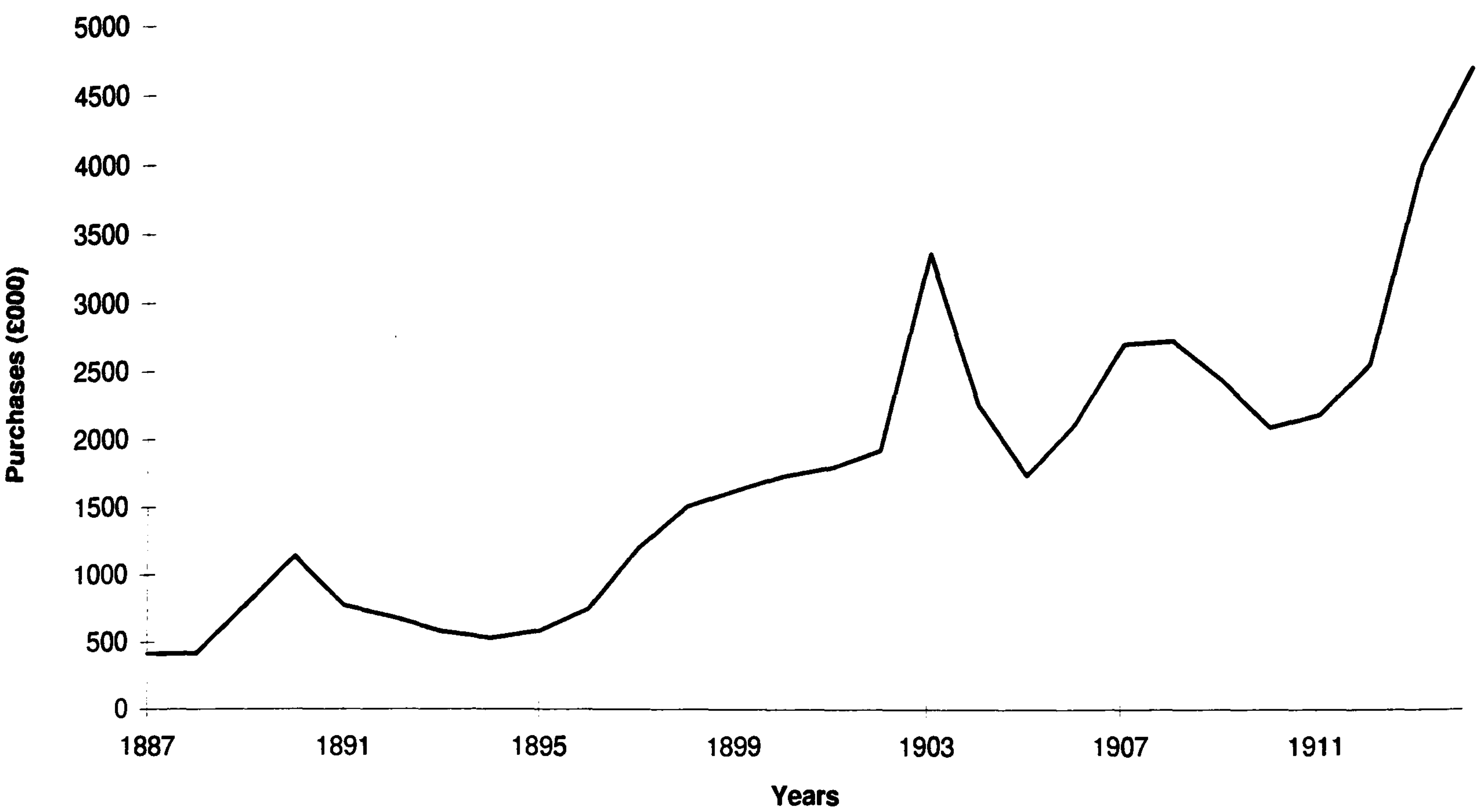
[3] *PPR*, p. viii.

Chapter Two: Purchase of Crown Colony Government Supplies

The Agency's purchasing role rested on its monopoly of the supply of colonial government stores not produced within colonies, which was first officially recognised and placed in the colonial regulations in 1874. Under this ruling, the Agents' acquisitions rose from £414,500 in 1887 to £4.7m in 1914 (Figure 1). The primary purpose of the regulation was to allow the CO to control Crown colony expenditure. Colonies could only purchase goods through the Agents, who monitored all requisitions, passing those without CO authorization, in the form of a relevant ordinance or CO instruction, back to the Secretary of State. In addition, the use of a single Agency, as opposed to individual colony agents, ensured the supply of cheap high quality goods. The Agency had relatively low administration costs; could purchase materials in bulk and therefore at a discount and from manufacturers, eliminating the retail premium; could afford specialist staff and inspectors to guard against supplier moral hazard; and, closely monitored by the CO, was unlikely to be subject to moral hazard itself.

The advantages of the regulation and the Agency, however, were weakened by the inability of the CO to monitor the Agency's activities, and, more importantly, the tendency of the Agents to act in their own self-interest. Until the late 1890s, wishing to avoid the colonial criticism that could threaten the survival of their Office, the Agents failed to closely monitor colonial observance of the monopoly regulation. They also gave priority to the provision of quality goods, and thus purchased relatively expensive articles, minimised supplier competition, made use of specialised merchants, entered into long-term relationships with service providers, and introduced stringent monitoring procedures. As a result, the overall cost of purchases was far higher than necessary, which, in turn, increased the Agency's commission income. From approximately 1898, financial difficulties forced the Agents to put greater effort into the enforcement of the monopoly regulation. In order to minimise administration costs and to increase commission income, they additionally reduced supplier competition and made greater use of merchants, which further increased the cost of supplies.

Figure 1: CA Purchases 1887-1914[1]



The Chapter is split into four sections. The first examines the extent to which colonies complied with the monopoly ruling, and the circumstances in which the CO was prepared to sanction the use of merchants. After a brief discussion of Agent and merchant costs, the following section examines the high purchase price of CA goods, concentrating particularly on the Agency's purchasing procedure. The various other components of cost eg. the Office commission, inspection fees etc are then discussed. The Chapter concludes with a brief section on the problems of delay and the provision of unsuitable materials.

2.1 Local Purchase

The monopoly regulation, as acknowledged by the Agents, was 'frequently violated'.[2] In 1908, the Sierra Leone government admitted that it was a 'long established practice' for goods such as timber, cement, bricks, galvanised iron etc to be purchased from local merchants, and that only those materials 'not obtainable at any of the numerous large stores in Freetown' were ordered from the Agents.[3] Similarly, in

[1] CO 323 series, CA accounts. Annual purchases = annual purchasing commission x 100.

[2] *PP 1909*, xlvii (Cd 4668) (henceforth *PPS*), q. 10,792.

[3] CO 267/501/2645, SL to CO, 5 Jan. 1908.

1906, the British Guiana governor accepted that merchant purchase 'had been going on for years', and that only 19% of supplies came from the Agency.[1] While, again in 1906, the governor of Trinidad confirmed that the colony had purchased 'all articles in common use' privately for 'over forty years', and that only 'special articles and heavy goods', stationery, and uniform material were bought from the Agents.[2] Other colonies also regularly breached the ruling, including the Straits, whose railway department, in 1904, obtained 17% of its supplies from merchants; Ceylon, who, in 1908, had 'for some years' bought items such as paper, stationery, and medicines from local retailers; and Hong Kong, who, the Agents in 1907 discovered purchased drugs and other goods privately, and whose public works department in 1899 obtained only 53% of its stores from the Office.[3] The Agents additionally suspected Jamaica of merchant purchase. The colony never made requisitions for necessities, such as clothing, cement and saddlery, and the value of its orders varied enormously, from £27,271 in 1897/8, to £31,809 in 1898/9, £8,789 in 1899/1900 and £24,327 in 1900/1.[4] The colonial government, however, flatly denied the charge, although it accepted that it obtained small amounts of goods from the USA.[5]

Although some colonies, such as British Guiana, openly flouted the regulation, most were circumspect. N. Nigeria purchased materials secretly. Sir Frederick Lugard, in 1902, for example, bought 'a good deal of cement, corrugated iron' from the merchants Maciver & Co., and attempted to arrange for the import of a range of goods

[1] CO 111/553/45547, BG to CO, 23 Nov. 1906; CO 111/553/820, BG to CO, 19 Dec. 1906.

[2] CO 295/438/806, Trinidad to CO, 21 Dec. 1906.

[3] CAOG 14/66, Anderson to CAs, 24 Aug. 1909; CO 131/33, Appendix 21; CO 129/350/15681, CAs to CO, 2 May 1907; CO 54/704/12406, CAs to CO, 7 April 1906. The regulation was also infringed by S. Nigeria, the FMS, the Gold Coast, and Natal, who, in 1881, appointed its own UK purchasing agent (CO 520/35/22223, Egerton to CO, 28 May 1906; *S[ells's] C[ommercial] I[ntelligence]*, 3 June 1908, p. 20; CO 96/448/1690, CAs to CO, 15 Jan. 1906. See also CO 96/366/21, CAs to CO, 31 Dec. 1900; CO 179/149/2873, CO to Natal, 22 Feb. 1883; B. Guest and J.M. Sellers (eds.), *Enterprise and Exploitation in a Victorian Economy* (Pietermaritzburg, 1985), p. 32)).

[4] CO 137/631/9649, CAs to CO, 7 March 1902; CO 137/623/7941, CAs to CO, 1 March 1901; CO 137/623/11406, CAs to CO, 29 March 1901. The Agents also obtained requests for payment from British manufacturers for goods supposedly bought by the government (eg. CO 137/623/7382, CAs to CO, 26 Feb. 1901).

[5] CO 137/612/31704, Olivier to CO, 10 Sept. 1900.

from the Royal Niger Company.[1] The FMS, whilst professing that all materials were bought from the Agents, did nothing to prevent its staff from using merchants. In 1905, when the railway storekeeper was discovered purchasing stores privately, C.P. Lucas, the Assistant Under Secretary of State, concluded that 'probably all government officials' in the colony 'were aware of the system of local purchase and ignored the fact that it was going on'.[2] Moreover, he suspected that the governor and railway manager's attempts to defend the storekeeper, who the CO had demanded should be dismissed, were motivated by a recognition that they were 'responsible for the system, and are therefore uncomfortable at the feeling that a minor official has had to bear all the consequences'.[3] Other colonies circumvented the ruling through perceived loopholes. Orders were placed with local manufacturers in the full knowledge that the firms would sub-contract the work to British companies. In 1905, for instance, it was discovered that an ironwork contract awarded by the Straits to the Penang Foundry had been sub-let to merchants, who had, in turn, passed the order to Messrs Dorman Long & Co.[4] While, in 1901, an order for steel, given by the Central S. Africa Railway to two Johannesburg firms, was sub-let to a London manufacturer, who, via merchants, placed the order with a German company.[5] Many colonies also exploited the understanding that goods could be purchased from merchants if required urgently.[6] S. Nigeria, for example, in 1907, claimed that, owing to a series of emergencies, it had been forced in the first six months of the year to buy 59% of its supplies privately.[7]

[1] RH: S[carborough] P[apers], mss Afr. s. 87, 3, Lugard to Scarborough, 17 Dec. 1902. Lugard halted negotiations on discovering that the company's prices were, in many cases, higher than those of the Agents (*ibid.*, mss Afr. s. 94, 10, Scarborough to Watts, 30 Oct. 1903).

[2] CAOG 14/66, Lucas, 19 Sept. 1907.

[3] *Ibid.*

[4] CO 273/313/10076, CAs to CO, 29 March 1905.

[5] *PPE*, Appendix ix.

[6] *SCI*, 16 March 1904, p. 7.

[7] CO 520/53/43256, Auditor General to CO, 11 Dec. 1907; CO 520/61/22421, Egerton to CO, 30 May 1908. Six months later, after a Colonial Office reprimand, merchant purchases had fallen from £10,806 to £161 (*ibid.*).

Colonial failure to completely comply with the regulation meant that in some colonies the Agents provided their services at a loss. The Agency, for example, supplied British Guiana, in 1906, with £223,514 worth of miscellaneous and free services, but received in return only a £100 annual contribution and commission for the purchase of just £6,720 worth of goods, which together covered only 1/20 of the cost of their work for the colony.[1] Until the late 1890s, the Agents failed to closely monitor colonial purchases, and, wishing to maintain good relations with governments, turned a blind eye to the use of merchants. Their parlous financial situation, however, then forced them to improve their monitoring procedures and to compare year-on-year expenditures, search the colonial press for reports of local purchase, investigate all invoices sent to them for payment, and ask suppliers to inform them of the receipt of private colonial orders.[2] Their findings were reported to the CO, who were encouraged to take action against the guilty colonies.

The CO, believing that it was 'a perfect farce to have a rule standing, if the adopted system is in direct contradiction of it', generally supported the Agents and forced colonies to abandon merchants.[3] The only exceptions were where high freight rates or the proximity of foreign suppliers made merchant purchase so advantageous that its denial could cause political embarrassment, and where the local political situation forced the CO to abandon the policy. In West Africa, CO sanction of local purchase was initiated by high freight rates. The West African shipping trade was dominated by Messrs Elder Dempster and the German Woermann line, who set excessive charges and refused to grant the Agents special rates, supposedly fearing criticism from local firms.[4] The Agents, however, were reluctant to charter steamers, as, from 1896, the conference deemed that, if they made even one shipment to any West African colony

[1] CO 111/558/3191, CAs to CO, 25 Jan. 1907. A similar situation existed in Jamaica in 1900 (CO 137/615/14855, CAs to CO, 11 May 1900).

[2] eg. CO 129/308/24442, CAs to CO, 15 July 1901; CO 54/696/25236, CAs to CO, 17 July 1905.

[3] CO 295/437/31840, Lucas, 29 Aug. 1906.

[4] CO 96/474/34032, CAs to CO, 15 Sept. 1908. The rate of shipping salt from Lagos to London, for example, was 20 shillings per ton, as opposed to 4/6d per ton to transport the same cargo to America and India (P.N. Davies, *The Trade Makers* (London, 1973), p. 153-4).

by a chartered vessel, they would loose all their West African rebates, which, from 1896-1905, averaged £4,274 pa.[1] Chartering would therefore 'lay...(them)...open to charges of having sacrificed the interests of some particular colony in favour of some other colony'.[2] In addition, there was generally insufficient cargo to make the chartering of ships cost-effective, unless goods were allowed to accumulate, which would lead to delay and more criticism. In the case of Lagos, where a sand bar forced goods to be unloaded into lighters, the cost of landing materials would be high, as Elder Dempster held a monopoly of the port's lighterage facilities. And, if the Agents were unable to charter and were forced to return to the conference, it could 'take an antagonistic attitude, and raise rates still further'.[3]

In an attempt to circumvent the high rates, the CO allowed all the West African colonies to invite local tenders for the supply of coal; S. Nigeria, in 1906, to obtain kerosene oil from merchants; and Sierra Leone, in 1908, to purchase both kerosene and timber in this way.[4] Merchants imported such goods in sufficient quantities to make the chartering of ships cost-effective, and, as the successful merchant and not the colony would organise shipment, it was believed that Elder Dempster would have no grounds for withholding rebates.[5] In the case of kerosene oil, merchants were also able to transport the oil in wood, rather than in the more expensive steel drums demanded by the conference.[6] Unfortunately, the coal purchased was often unsatisfactory and occasionally obtained from America, and many of the contracts were won by Elder Dempster, who, using coal as ships' ballast, were able to

[1] CO 147/177/30737, CAs to CO, 25 Aug. 1905.

[2] CO 96/474/34032, CAs to CO, 15 Sept. 1908.

[3] CO 520/70/25758, Freelands to CAs, 30 June 1908.

[4] CO 147/168/6513, CO to Lagos, 4 March 1903; CO 520/38/47545, Egerton to CO, 4 Dec. 1906; CAA: CS 4 SL, CO to SL, 16 April 1908. Davies's belief that the CO permitted the local purchase of cement, based on evidence given in the 1909 shipping enquiry, is incorrect (*Davies, The Trade*, p. 151-2; *PPS*, q. 4331, 10692-700).

[5] CAA: CS 4 SL, SL to CO, 5 Jan. 1908.

[6] CO 520/38/47545, Egerton to CO, 4 Dec. 1906.

incorporate an excessively low freight rate in their tenders.[1] The coal supplied by the company was, at first, relatively cheap, but then gradually rose in price, particularly after the Agents, concerned about quality and perhaps wishing to obtain income from the transactions, insisted that it be inspected before it left Britain.[2] An attempt to widen competition, in the case of S. Nigerian coal, by advertising tenders in both the UK and the colony led to a small reduction in price.[3] Generally, however, prices remained high until the inter-war period.

Local merchant purchase was, secondly, permitted where colonies could genuinely obtain goods more advantageously from the USA. Although the monopoly ruling forbid colonial governments from purchasing directly or through merchants/firms in the UK, it failed to specifically prohibit them obtaining materials from the USA and the continent. In 1899, this loophole was tested by the Straits, who, experiencing long delays in the delivery of goods, requested permission to buy direct from America and Europe.[4] The Agents vehemently rejected the proposal. It was argued that the delays were temporary and not serious, the result of the 1897 engineering lockout and S. African war.[5] More importantly, it was wrong for British colonial government funds to be used to 'promote foreign industries...in direct competition with British manufacturers'.[6] The goods purchased would also be more expensive and of a lower standard than those available in the UK. Foreign firms provided relatively poor quality articles; were reluctant to provide bespoke goods; were unwilling to accept English contracts, which were, in any case, difficult to enforce in foreign courts; and often

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[1] CO 147/172/43182, CAs to CO, 22 Dec. 1904; CO 267/474/41570, Shelford to CAs, 24 Nov. 1904. Sir Alfred Jones, the Chairman of Elder Dempster, obtained most of the coal from his own collieries (*Davies, The Trade*, p. 150). The company also used underhand business methods to win contracts. In 1904, a competing bid was leaked to Jones by a telegraph officer, who was later dismissed (*PPS*, q. 4328, 4331). In the following year, Jones discovered the contents of a tender from the Lagos railway accountant, who was later reprimanded (HP: mss Afr. s. 1525, 9/8, extract 4 Feb. 1905).

[2] CO 520/118/22144, CAs to CO, 15 July 1912.

[3] *PPS*, q. 10,793.

[4] CO 273/249/29830, Straits to CO, 1 Oct. 1899.

[5] CO 273/253/34283, CAs to CO, 8 Dec. 1899.

[6] *Ibid.*

refused to allow inspection, which, if it occurred, was costly and troublesome.[1] Alternatively, C.P. Lucas and Sir R. Herbert both favoured the proposal. Herbert believed that American firms, with their standardisation of design, superior machinery and better distributed and more industrious labour force, could produce goods more rapidly and at a lower cost than their British counterparts, and to a similar standard.[2] Lucas agreed, though argued that colonies should only be allowed to deal with the US direct, and should obtain European goods through the CAs.[3] Chamberlain, however, supported the Agents, and ruled that all materials should be purchased through the Office, and foreign goods supplied by them only in exceptional circumstances.[4]

The policy later, however, reverted to that proposed by Lucas. In 1900, in reply to the Agents' criticism of local purchase, Jamaica claimed that many articles could be obtained more cheaply and rapidly from the USA.[5] Furthermore, it was pointed out that lighthouse oil and some other goods supplied by the Agents were actually manufactured in America, and that their price thus included the freight from the USA to England and from England to Jamaica.[6] The CO, at first, rejected the colony's demands for American purchase, but then, in 1902, altered its stance, and ruled that the colony should be allowed to purchase from the USA those articles that could be better obtained from that country eg. oil, timber, foodstuffs and typewriters.[7] Those goods that could be bought as well or better in Canada were to be purchased there, and materials that were roughly the same price, whether supplied from the USA or England, 'in view of the great sacrifice the British consumer is making for the W. Indies in the matter of sugar', were to be bought by the Agents in England.[8] The

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[1] *Ibid.*

[2] *Ibid.*, Herbert, 29 Dec. 1899.

[3] *Ibid.*, Lucas, 20 Dec. 1899.

[4] *Ibid.*, Chamberlain, 20 Dec. 1900; *ibid.*, C.O to Straits, 11 Jan. 1900.

[5] CO 137/612/31704, Olivier to CO, 10 Sept. 1900.

[6] *Ibid.*, PWD Director to Col. Sec., 25 August 1899. See also *Jamaica Daily Telegraph*, 5 Nov. 1906, p. 6.

[7] CO 137/631/7724, CO to Jamaica, 27 March 1902.

[8] *Ibid.*

policy was subsequently extended to British Honduras, and, in 1904, incorporated into the new monopoly ruling, which specifically stated that supplies should not be purchased directly in Europe, but made no mention of the USA.[1]

Thirdly, the CO sanctioned local purchase where failure to do so was likely to lead to political upheaval. In Transvaal and the Orange River colony, the purchase of public goods by the Agents, after the S. African war, led to strong protests from both the Johannesburg Chamber of Commerce and the legislative council.[2] Although the CO were convinced that supplies could be obtained more cheaply through the Agency, warnings from the governor of 'serious political consequences' if nothing was done, caused them to accept a compromise.[3] It was agreed that tenders would be called simultaneously, on identical specifications and forms of tender, from merchants and through the Agents, and contracts awarded by the local tender board to the firms that offered the best terms.[4] The only condition stipulated by the CO being that all the goods purchased came from Britain. The result was that the majority of tenders were subsequently won by local merchants, to whom, according to the Agents, the tender board was biased.[5]

Political expediency, similarly, led the CO to allow a degree of merchant purchase in Trinidad and British Guiana. In Trinidad, in 1906, warnings from the governor that an attempt to impose the monopoly regulation on the colony would lead to discontent and be opposed by the legislative council, caused the CO to rule that merchants were 'entitled to any business where the difference in cost does not compensate for the inevitable delay in getting things from England'.[6] In British Guiana, the Agents'

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[1] *PPE*, q. 1570-1.

[2] CO 291/71/24790, Milner to Lyttelton, 14 July 1904; CO 291/71/28531, Chamber of Commerce to Milner, 19 July 1904.

[3] CO 291/72/30822, Milner to Lyttelton, 15 Aug. 1904.

[4] CO 291/74/26378, CO to Transvaal, 20 Aug. 1904.

[5] In 1906/7, for instance, the Central S. African Railway's CA purchases fell by 72% (*B[ritish] and S. A[frican] E[xport] G[azette]*, Aug. 1908, p. 697).

[6] CO 295/438/806, CAs to CO, 8 Nov. 1906; CO 295/439/40955, Elgin, 7 Nov. 1906.

insistence, again in 1906, that the government should increase its Agency purchases, partly to finance the various free services provided to the colony, led to political turmoil.[1] The issue of an instruction to this effect, after the Agents had assured the governor that nothing would be done until he had discussed the matter with the local business community, worsened the situation.[2] The mood in the colony becoming so hostile that the Combined Court threatened to refuse to pass the vote for government supplies unless the instruction was withdrawn.[3] As British Guiana was not a true Crown colony and financial control rested with the Combined Court, the CO had no alternative but to retract the order, though the colony agreed, in return, to increase its annual contribution to the Agents.

2.2 Price of Purchases

2.2.i CA vs merchant prices

Colonial critics of the CAs claimed that the goods supplied by the Agency were more expensive than those that could be obtained from merchants. Others argued that the materials, though largely competitive with merchant goods, could still have been supplied at a lower cost. The major problem in determining the truth of either claim is the lack of accurate figures, due to the destruction, in the late 1960s, of the Agency's purchase files, and the Agents' reluctance to publicise prices, supposedly for fear that manufacturers, shippers etc would withdraw their special terms under merchant pressure.[4] Throughout the period, colonies bombarded the Office with example merchant prices, which purported to prove that goods could be purchased more cheaply locally. The Agents, however, rarely accepted the claims. It was variously argued that merchant goods were of a relatively poor quality; the articles were purchased earlier/later than the most recent Agent delivery, during which time the price/freight rate had risen/fallen; previous requisitions had been marked urgent, and had thus been more expensive to purchase; the size/weight of supplies differed;

[1] *The Argosy*, 6 Oct. 1906, p. 5; *ibid.*, 10 Oct. 1906, p. 3; *ibid.*, 17 Oct. 1906, p. 3.

[2] CO 111/553/45547, BG to CO, 23 Nov. 1906.

[3] *Ibid.*

[4] CAOG 12/76, CAs to Ceylon, 29 Dec. 1920.

and that advertised merchant prices were set artificially low in order to entice first time customers.[1] Occasionally, merchant and Agent prices were compared. Generally, however, the comparisons were invalidated by the failure of either the Agents or the colonies to define what constituted the prices quoted. Only one comparison, between CA and Sierra Leone merchant prices, used complete prices ie. the full merchant price and the Agents' purchase price, commission, the cost of freight and shipping, plus import duties, from which public goods were exempt.[2] The results suggest that CA goods, in most cases, were cheaper than their relevant counterparts, though often by only a small amount. The comparison, however, fails to take account of the cost of Agent inspection and perhaps packing, and both sides questioned the validity of the other's figures.[3]

Price comparisons are made even more difficult by colonial claims that CA supply incorporated a number of hidden costs. It was argued that the monopoly prevented merchants buying goods in bulk, the savings of which would have been passed onto the customer; reduced colonial taxation revenues; restricted competition; disturbed government/commercial relations; and discouraged British manufacturers establishing a strong colonial presence.[4] On a more basic level, colonial governments had to establish stores, which, if building, staff, insurance, cartage and deterioration expenses and the opportunity cost of the capital tied up in stock were taken into account, could

[1] eg. CO 273/322/6421, CAs to CO, 22 Feb. 1906; CO 54/729/23483, CAs to CO, 13 July 1909; CO 291/89/11401, CAs to CO, 5 April 1905; CAA: CS 4 SL, CAs to SL, 20 July 1911; E 283/1, memo, undated; CO 54/696/41765, CAs to Col. Sec., 22 Nov. 1905. The Agency, for example, supplied cement in 400lb casks, whereas merchants used 375 lb and 387 lb barrels (CO 273/322/6461, CAs to CO, 22 Feb. 1906; CO 137/631/7725, CAs to CO, 21 Feb. 1902).

[2] CAA: CS 4 SL, memo, undated; *ibid.*, Freelands to CAs, 12 Oct. 1908; *ibid.*, SL to CO, 13 Aug. 1908.

[3] Blakemores believed, with regard to some prices, that 'nothing could be supplied at the amounts given' (CAA: CS 4 SL, Blakemore to CAs, 2 Nov. 1908). The governor, L. Probyn, complained to the CO that the prices quoted by the Agency for many of the articles were lower than those that the colony had actually been charged (CO 267/514/19809, SL to CO, 22 May 1909).

[4] *Demerara Daily Chronicle*, 13 Jan. 1883, p. 2; *SCI*, 9 March 1904, p. 7. CA purchases in 1889, 1899 and 1913 accounted for respectively 9.48%, 15.3% and 13.8% of total Crown colony public expenditure (*PP 1914-6*, lxxix (Cd 7786); *PP 1904*, lxxviii (264); *PP 1914*, lx (Cd 7510); CAA: Accounts 1889).

add 10% to 15% to the price of materials.[1] If stores were not established, regular deliveries of goods would be necessary, which, given the small size of shipments, would greatly increase shipping costs, and, owing to the restricted steamer service to some colonies, was, in any case, often not possible.[2] Similarly, CA purchase increased administration costs, as staff had to determine future requirements, keep a record of orders, and, if unsuitable goods were supplied, enter into long correspondences with the Agents. The colonies' inability to predict in advance the cost of goods also made budgeting difficult. While, as purchasing officers were unable to view articles before purchase and the Agents lacked merchants' knowledge of local conditions, there was a greater likelihood of the supply of unsuitable goods, which often had to be returned.[3] In addition, it was often difficult to estimate future needs, particularly in colonies with a high staff turnover and a large number of settlements.[4] There was therefore a risk of underestimation, which could result in costly shortages, and overestimation, which could lead to losses, due to deterioration or sales of unused stocks at discounted prices. Finally, CA purchase often increased individual colonies' costs. For example, Sierra Leone, in 1908, feared that use of the Agents would force the abandonment of an expensive financial system recently introduced into the colony.[5] And, the governor of the Straits believed, in 1906, that the colony would be unable to use private contractors, who supplied their own materials, for minor public works and have to expand at great cost its own public works department.[6]

2.2.i Quality and non-competitive purchase

To determine whether the Agents could have supplied less expensive goods, each constituent part of the cost must be examined. The most important component was the

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[1] CO 295/438/806, Trinidad to CO, 21 Dec. 1906. See also CO 273/318/25810, Anderson to CO, 20 June 1906. In the Straits, for example, the maximum period for storage of cement was 3 months, and, in 1898, 500 casks had to be sold at auction as 'slightly damaged' (CO 273/317/7596, report, 29 Nov. 1898).

[2] CO 273/322/9034, FMS to CAs, 2 Feb. 1906.

[3] CO 137/648/5954, CAs to Jamaica, 14 Feb. 1905; *The Argosy*, 26 Sept. 1906, p. 2; CO 323/483/5971, Round, 18 Feb. 1903.

[4] CO 520/35/22223, Egerton to CO, 28 May 1906.

[5] CO 267/501/2645, SL to CO, 5 Jan. 1908.

[6] CO 273/318/25810, Anderson to CO, 20 June 1906.

price at which articles were purchased, which both the Treasury and the CO suspected were excessive.[1] CA materials were certainly more expensive than those supplied by the WO. Of the 16 articles common to both the Agents' 1906 list of example prices distributed to colonies and the 1906 *WO Vocabulary*, whose prices, unlike those of the Agents, included a percentage for inspection, packing and departmental charges, fourteen could be obtained more cheaply from the WO (Table 1).[2]

Table 1: Comparison of CA and WO Prices 1906[3]

Article	**CA Price (s/d)**	**WO Price (s/d)**
Axle grease	15/- per cwt	11/5 per cwt
Drums for oils, 10 gallon	3/4 each (black)	2/6 each (red)
Glue, best scotch	48/- per cwt	20/9 per cwt
Oakum	17/6 per cwt	16/5 per cwt (white)
Linseed oil, boiled	1/10 per gallon	1/4.5 per gallon
Linseed oil, raw	1/9 per gallon	1/9 per gallon
Turpentine	2/11 per gallon	1/11 per gallon
Soap, hard yellow	21/- per cwt	17/6 per cwt
Soap, soft	17/- per cwt	12/9 per cwt
Tallow	30/- per cwt	31/9 per cwt
Tar, coal	3.5d per gallon	3.25d per gallon
Tar, stockholm	1/3 per gallon	9d per gallon
Waste, cotton, white	34/- per cwt	26/3 per cwt
Waste, cotton, coloured	25/- per cwt	24/6 per cwt
Duck, white	8.5d (28")	7d (27")
Bunting	5d per yard	3.25 per yard

Prices were high firstly because of the supply of quality articles and the use of an uncompetitive purchasing procedure. The purchase of quality goods increased the

[1] T1/100186/18832/16865, memo, 13 Nov. 1903; CO 267/449/2435, Antrobus margin note to Harris, 2 Feb. 1898.

[2] The *WO Vocabulary* was a catalogue. Part, though not all, of the price difference is probably due to the fact that the WO obtained certain of its goods from its own ordnance factories, the prices of which thus excluded manufacturers' profit.

[3] *WO Vocabulary 1906*; CAA: CA circulars and papers, List of current prices, September, 1906.

Agency's income and discouraged colonial criticism, and was acknowledged by the press, colonies, CO and even the Agents. In 1902, Sir Frederick Lugard, then governor of N. Nigeria, complained that, as it was in the Agents' 'interest that no complaints of quality should be made,...they naturally go to expensive firms'.[1] Similarly, Sir R. Antrobus, in 1905, admitted that 'the tendency of the CAs has always been to supply the best articles, without considering whether a cheaper one would not do', and C.P. Lucas, in 1908, that both the CO and the Agency had 'been inclined to insist on a rather better article than was absolutely necessary'.[2] While the Agents, in 1895, stated that, with regard to drugs, its 'rule' was to 'always supply articles of the best', and, in 1904, instructed its staff to only buy paint of the 'highest class'.[3]

The CAs had complete freedom in the choice of supplier, except where the colony specified that a particular colonial firm should be tendered, or that goods should be bought from a particular UK company that had given 'satisfaction' in the past, or, from 1904, 'for other reasons'.[4] As they received no commission if a colonial firm won an order, the Agents generally discouraged colonies from requesting colonial tenders, and, if they were unsuccessful and a colonial and UK firm each submitted identical tenders, awarded the contract to the UK company, which was judged to have greater experience.[5] The Agents also resented colonial choice of UK contractors, which they regarded as the first step towards colonial purchase, and which they believed increased the likelihood of the provision of poor quality goods and the

[1] SP: mss Afr. s 87, 3, Lugard to Scarborough, 17 Dec. 1902. In 1910, the U[ganda] R[ailway] C[ommittee] criticised the quality of stoneware pipes supplied, which was 'higher than is necessary for the purpose they have to serve' (CO 537/62, URC to CAs, 2 Jan. 1900). See also CO 446/41/1089, PWD Director to High Commissioner, 15 Aug. 1904; CO 137/612/31704, Olivier to CO, 10 Sept. 1900; *West African Mail*, 29 April 1904, p. 29.

[2] CO 87/174/2283, Antrobus, 26 June 1905; *PPE*, q. 1609.

[3] CO 152/199/15905, CAs to CO, 6 Sept. 1895; CAOG 12/71, Notes on the preparation of indents, 4 April 1902 (henceforth Notes).

[4] *CO List 1903*; *ibid.*, 1906.

[5] CAA: EM 261/10, Barry to CAs, 18 Aug. 1909; *PPE*, q. 1894-5, 3965. In comparison, both the IO and the self-governing colonies gave preference to local manufacturers.

bribery of colonial purchasing staff.[1] They consequently often refused to comply with colonies' requests, claiming that use of the firm would not be in the colonies' best interests; insisted that the company take part in a tender 'if the amount of the work renders competition desirable'; and refused to accept complete responsibility for any goods supplied by the firm.[2] As a result, few colonies, particularly in the early part of the period, took up the opportunity to name contractors.

Throughout the period, but particularly from the late 1890s, the Agency restricted competition and the number of suppliers used. The policy increased the Office's income, as the higher prices paid raised commission earnings, and the most expensive and 'troublesome part of placing an order (was)...the call for tenders, and the getting them in and comparing them'.[3] In addition, there was less likelihood of fraud/the supply of poor quality goods, as the risk that ineffective companies would win contracts was eliminated and inspection during manufacture could be more effectively introduced. The long term employment of particular firms also increased the cost of dismissal for poor work/fraud, and encouraged such companies to report to the Agents any colonial breaches of the monopoly ruling.[4] In theory, goods were purchased through a 'competitive system'.[5] In reality, only materials over £100 were tendered. Articles worth less than this figure, which accounted for a large proportion of purchases, were rarely subject to competition.[6] Tenders were also not called when an article was required urgently; was of special manufacture or patent and available only

[1] There is some evidence that bribery occurred. In 1909, for example, a S. Nigerian PWD engineer asked two firms for 'advances', presumably in return for requesting their use, and, in 1910, a firm offered to pay the Ceylon medical storekeeper a commission in return for orders (CO 520/85/34355, Round, 19 Oct. 1909; CO 54/667/12323, CO to CAs, 24 April 1900).

[2] CO 323/371/18103, CAs to CO, 8 Sept. 1888; *SCI*, 27 April 1904, p. 13; *PPR*, q. 1723. eg. CO 323/375b/7270, CAs to CO, 10 April 1889; CO 111/539/34608, CAs to CO, 16 Sept. 1903. The Admiralty always used any firm specified by an ordering department (*PP 1901*, xl (Cd 581) (henceforth *PPWO*), q. 1794).

[3] CO 323/985/19, CAs to CO, 8 July 1927.

[4] Fraud dismissal costs were further increased by the fact that the Agents passed the names of fraudulent companies onto the WO and the Post Office, who struck the firms off their own lists (CO 323/470/16166, CO to PO, 6 Sept. 1901).

[5] *PP 1881*, lxiv (C 3075), Julyan, Sept. 1878; *Hansard*, 5th series, viii. 256.

[6] CO 323/474/13685, enclosure a, April 1901.

from a single firm; its price had recently been determined by competition; a CE advised that tenders should not be resorted to; or the Agents had a standing order with a particular firm, who in return charged a discounted price.[1]

Even when tenders were used, there was no open competition. Invitations to compete were merely sent to those on the Agents' lists of suitable firms.[2] Open competition was resorted to only for the purchase of materials for the F[oreign] O[ffice] constructed Uganda railway, which the Treasury, fearing Parliamentary criticism, insisted should be obtained through public advertisement, and, from 1904, for large rail orders.[3] Entry onto the Agents' lists was tightly controlled. Colonial companies were refused admittance, as the Agents lost their commission when an order was won by a colonial firm. They also claimed that they had little knowledge of colonial companies; that, as London rather than colonial agents, they had no duty to admit them onto their lists; and that the inclusion of such firms would be regarded by colonial governments as an attempt by the Agency to intervene in local matters.[4] Even British firms, however, found it difficult to get onto lists. The lists were not advertised and many firms were thus unaware of their existence.[5] Applicants also had to furnish references from a government department, English railway company or large steamship company, with whom they had done business, and, from 1911, engineering firms had to pass an inspection of their works by one of the Agents' external inspectors.[6] All the references were checked, and, unless they were uniformly

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[1] *Ibid.* eg. CO 295/421/45347, CAs to CO, 16 Dec. 1903; CO 446/18/16066, CAs to CO, 8 May 1901. In the case of the £987,090 of materials bought from 1898-1902 for the West African railways, most of which were relatively high value items, only 58% were put up to tender (*PP 1905*, lvi (Cd 2325), Table 3). Goods purchased without competition included ironmongery, tools, hardware, drugs and chemicals, stationery, glass and china, lubricating oils, disinfectants, furniture, books, badges, flags and bunting, surgical instruments, provisions, livestock, alcohol, kitchen utensils, bicycles and war munitions (CO 323/474/13685, enclosure b).

[2] CAOG 17/22, memo, 5 Oct. 1908.

[3] CO 537/50/79, Treasury to URC, 7 Nov. 1895; CO 537/50/156, Treasury memo, 18 Nov. 1895; CAOG 17/22, memo, 5 Oct. 1908.

[4] *PPE*, q. 2043-4, 2074. After the enquiry, which recommended the greater use of colonial firms, the Agents reversed this policy, though there continued to be complaints of insufficient representation (*PPR*, p. xxiii).

[5] *SCI*, 23 March 1904, p. 15.

[6] CAA: file 99, CAs to Barrett, 20 June 1895; file 53, 1911 report.

excellent, the company's application was disallowed. The helmet manufacturers, Messrs J. Ellwood & Sons, for example, were, rejected in 1902 because they had executed just one order for the WO in only 'a fairly satisfactory manner', and, in 1904, when they reapplied, had provided the WO with 'fairly satisfactory supplies', which was deemed 'not good enough'.[1] Similarly, the saddlery manufacturers, Thomas Ash Ltd, in 1895, were refused admission to a list because, although they had supplied British and foreign government departments, they had never held a contract for the WO or metropolitan police.[2]

Ellwoods and Ash were not alone. According to the *SCI*, a well respected trade journal, numerous other firms also failed to gain access to the lists, even though many manufactured for other government departments, colonial Agent-Generals, and, in some cases, the Agents themselves as sub-contractors to list firms.[3] In theory, any firm rejected could appeal to the Secretary of State.[4] Few, however, did so. Companies who received CA sub-contract work from list companies or worked for other government departments were reluctant to make their grievances public.[5] Moreover, from 1901, all appeals were dealt with by Sir Montague Ommanney, who, as a former Senior CA, was thought unlikely to reverse the Agents' decisions.[6] Many of the Agents' lists were thus out-of-date, contained mostly large firms, and were comparatively short.[7] A 1904 Parliamentary paper, which contains the number of tenders received for 19 contracts for a variety of goods worth over £500, the value at which all list firms were supposedly tendered, suggests that the average number of

[1] CAOG 12/123, WO to CAs, 1 April 1902; *ibid.*, note, 21 May 1904.

[2] CAOG 12/119, CAs to Ash, 7 Feb. 1895; *ibid.*, CAs to Ash, 12 Feb. 1895.

[3] *SCI*, 16 June 1904, p. 7; *ibid.*, 23 March 1904, p. 15.

[4] CAOG 17/22, memo, 5 Oct. 1908.

[5] *SCI*, 31 Aug. 1904, p. 7.

[6] *Ibid.* The Director of the Nyasaland Railway Co. regarded an appeal to Ommanney as 'an appeal to the Crown Agency in another form' (*PPE*, q. 557).

[7] *Daily Mail*, 22 April 1904, p. 4; *BSAEG*, 6 May 1904, p. 1352.

companies per list for such goods was just eight.[1] A conclusion confirmed by the 1901 cement list, the only surviving list, which contains just 17 firms, of which only nine appear to have been available for tender.[2]

Competition was further restricted by the small number of list companies actually asked to bid. In 1901, for goods worth between £100 and £500 it was often 'suffice to invite only a few firms from the list'.[3] Furthermore, the Agents appear to have awarded contracts to the same firms. For example, of 50 orders for cement supplied to Ceylon from 1894 to 1901, 60% were obtained from just three companies, and 30% from one.[4] While the iron company Messrs Walter MacFarlane & Co., from April 1883 to September 1888, won 94% of its 71 invitations to tender.[5]

In comparison, the IO kept no lists, and obtained the majority of its goods, 62% in 1924/5, by tender through public advertisement.[6] The remainder, generally stores produced by a small number of manufacturers, were purchased through invitations to tender. Alternatively, the WO and Admiralty used lists. Both, however, did far more than the Agents to encourage new applicants. The WO advertised annually, and periodically asked the Woolwich store to recommend firms.[7] The Admiralty advertised, obtained copies of the WO list, and, occasionally, sent officials to 'a certain district to see whether we can find any additional suitable firms'.[8] Although

[1] *PP 1904*, lxxviii (Cmd 194); CO 323/474/13685, enclosure a, April 1901. Standard deviation 3.8. The average figure excludes a rail contract that was publicly advertised, and an order worth £450 (*SCI*, 22 June 1904, p. 13). The contracts were for a variety of goods including cement, coal, saddlery, iron pipes, railway carriages and generators, and the number of tenders varied from two for telegraph insulators to 18 for small span bridges. The actual number of companies tendered, and thus on the lists, was probably slightly higher, as, at any one time, some firms would have been unable to bid.

[2] CAOG 12/126, memo, 3 Dec. 1900. Two firms were 'not well thought of' or 'badly thought of', three were 'not being asked at present', and three were unable to tender (*ibid.*). The list was compiled before the formation of the Associated Portland Cement Co.

[3] CO 323/474/13685, enclosure a, April 1901.

[4] CAOG 12/126, schedule, no date.

[5] CO 323/371/18103, schedule, Oct. 1888. See also CO 131/33, enquiry, q. 1640.

[6] *PPE*, q 409; *PP 1924/5*, xxi (711), p.7.

[7] *PPWO*, q. 4312-3, 84.

[8] *Ibid.*, q. 1778/9, 2470, 2475.

both asked for customer references, neither specified the type of reference required; the WO accepting 'practically... everybody...who appears to be a competent contractor'.[1] The WO lists consequently, in 1901, contained approximately 10,000 firms, whereas those of the CAs supposedly held, in 1908, just 3,000 names, and, if the companies that appeared on more than one list were taken into account, around 1,000 names.[2] Similarly, the WO placed no limits on the number of companies asked to tender, with invitations being sent to all firms on its lists as a matter of course.[3]

The firms to be tendered were chosen by a purchasing clerk, who, in the case of engineering goods, usually followed the recommendations of the CE who had drawn up the specification.[4] Successful tenders were again chosen by a purchasing clerk, except where the tenders were for engineering work that involved questions of competitive design or were part of a large infrastructure scheme, when the bids were passed to the relevant CE for recommendation, which, owing to the clerks' lack of technical expertise was invariably accepted.[5] In most cases, the lowest tender that fulfilled the colony's requirements was chosen, though, on occasion, if the lowest tenderer had little experience or produced less well designed goods, the contract would be allocated to the second lowest applicant.[6] Very occasionally, if the prices tendered were considered excessive, the engineers recommended a second competition.[7]

In their choice of tenderers and suppliers, critics accused the Agency and its CEs of

[1] *Ibid.*, q. 2780-1; *PPE*, q. 2293. The WO also required a bankers reference, and the Admiralty inspected works (*PPWO*, q. 2780-1, 2471).

[2] *PPE*, q. 2293; CAOG 17/22, memo, 5 Oct. 1908.

[3] WO 254/6, p. 1378, Jan. 1908.

[4] eg. CO 137/623/3351, CAs to CO, 26 Jan. 1901; CAOG 10/53, Preece to CAs, 23 Aug. 1907.

[5] CAOG 17/24, misc. 142, no. 34, CAs to CO, 7 April 1902 (henceforth CAR).

[6] eg. CO 446/4/34286, CAs to CO, 8 Dec. 1899; CO 537/68, Reed to CAs, 6 April 1901.

[7] eg. *Ibid.*, Reed to CAs, 13 Feb. 1901.

corruption and favouritism.[1] The Agents accepted that it could be in the interests of suppliers 'to get hold of one of our staff to get information'.[2] Nevertheless, although clerks received Christmas boxes and the Agent Edward Barnard, in the 1870s, was a director of three joint stock companies supplying the Agency, there is no evidence of major corruption.[3] Fraud, as already discussed, was discouraged by targeted recruitment, bonds, high salaries/perks, and the development of an Office ethical culture. The Agents also introduced monitoring procedures specially designed to guard against moral hazard. On arrival, tenders were stamped, initialled and recorded in a date book and placed in a locked box, and, when the box was opened at the end of the tender period, ticked off against their date book entries. Late tenders were only accepted with the special permission of a CA. And all purchasing clerk decisions were checked by a deputy head, and, in the case of orders, by a CA.[4] There is, similarly, no indication of corruption by the Agents' CEs, though at least two had close connections with suppliers.[5] The engineers' purchasing recommendations went unmonitored until 1909, when the CO, wishing to protect them from 'approaches by contractors', instructed the Agents to require them to provide details of the tenders received and the reasons for their recommendations.[6] Fraud, however, was discouraged by the engineers' high fees, their long relationships with the Agents, and their dependence on them for a large part of their income, all of which increased the

[1] In a 1905 editorial, the *Straits Times* described the Agents as 'licensed pickpockets' (*Straits Times*, 6 Nov. 1905, p. 5). The Straits' governor Anderson accused the Agents and their CEs of being 'hand-in-glove' with their 'favourite contractors', and claimed that they did all they could 'to put business their way' (CAOG 10/53, Anderson to Cameron, 21 March 1907). See also CO 48/498/1916, CAs to Col. Sec., 26 Jan. 1880; *Daily Mail*, 22 April 1904, p. 4; *Demerara Daily Chronicle*, 12 Dec. 1882; *SCI*, 23 March 1904, p. 15.

[2] *PPE*, q. 1044.

[3] CAA: Memorandum Book, vol. 1, 21 Dec 1905; CO 537/157, Julyan to Herbert, 23 May 1876.

[4] CAR. Not all of these procedures were fully adopted. In 1902, for example, the new Office Secretary discovered that late tenders were considered up to the time an order was placed with a supplier without any reference to an Agent, a practice that he believed to be 'objectionable' and 'a farce' (KP: Gen 144/3, Keith, 12 Jan. 1904).

[5] Sir J.F. Flannery, one of the Agents' naval architects was a director of Callenders Cable & Construction Ltd, which was successful in at least two tenders (*DD*, 1908; CAOG 19/295; CAOG 19/161). Major General E.H. Harding, the military stores CE, was a director of the Chilworth Gunpowder Co. Ltd, who again supplied the Agents *(DD*, 1889).

[6] CO 96/488/32376, CO to CAs, 20 Oct. 1909; *ibid.*, Ellis, 16 Oct. 1909.

cost of corruption/dismissal.[1]

Goods purchased without tender were obtained from merchants, manufacturers, and the WO. In the case of merchants and manufacturers, suppliers, before awarded a contract, were required to submit an estimate of the cost of the good to be supplied, which was then compared with that of similar orders.[2] If the estimate appeared excessive, the firm was asked to provide an explanation, and, if this was unsatisfactory, the order was passed to another company. In theory, the Agents, like the IO, WO and Admiralty, did not use merchants, whose goods were more likely to have been produced abroad and were relatively expensive, owing to the intermediary's commission.[3] In reality, however, the Agents bought a number of articles from retailers, as their specialist purchasing skills ensured quality, and their use reduced administration costs, and, through the higher prices charged, increased income.

The largest group of articles purchased through merchants were 'Birmingham goods', which were bought through Messrs V. & R. Blakemore, who had worked for the Agents from the 1860s and depended on the Office for a large part of their income.[4] The firm, which, in 1895, obtained £39,224 worth of articles, 6.7% of total purchases (Table 2), bought goods directly without tender or inspection.[5] In return, they were paid a commission of 2.5% for packed items and 5% for articles packed and stored in their Birmingham warehouse.[6] Their use was the subject of much criticism. In 1900, the CO Clerk A. Sewell argued that there was no reason why the Agents

[1] The CEs' remuneration is discussed in chapter five.

[2] CO 323/474/13685, enclosure a, April, 1901. In the 1908 enquiry, Carmichael, the head of engineering, claimed that the Office requested 3 or 4 estimates for each non-tendered order (*PPE*, q. 4737).

[3] *PPE*, q. 1711, 2471; *SCI*, 9 March 1904, p. 7; *ibid.*, 8 June 1904, p. 13.

[4] 'Birmingham goods' were hardware and metal articles manufactured largely in Birmingham, and included buckets, iron bars, metal files, road rollers, anchor lights, mirrors, mosquito gauze, and beads (CAOG 17/24, misc. 142, no. 21; *ibid.*, no. 17; *ibid.*, no. 30; CO 323/492/29753, Blakemore to CAs, 12 Aug. 1904).

[5] CO 323/474/8579, CAs to CO, 28 Feb. 1902.

[6] CO 323/474/13685, enclosure a, April 1901. Although profit figures have not survived, the lucrative nature of the business is reflected in the estate of Villiers Blakemore, who, when he died in 1884, left £26,190 (SH: Probate records).

Table 2: Value of Goods Purchased from Largest Non-Tender Suppliers (£)[1]

Company	1885	1895	1905	1914
V. & R. Blakemore	27,623 (47)	39,224 (120)	41,719 (70)	69,673 (89)
Grindlay & Co.	2 (1)	971 (8)	13,289 (143)	18,974 (111)
Howard & Sons	4,425 (40)	14,365 (76)	12,264 (39)	10,862 (24)
Millington & Co.	2,485 (45)	2,962 (69)	6,432 (50)	3,060 (27)
Milns & Co.	9,288 (42)	17,548 (125)	16,647 (47)	6,069 (44)
Saunders & Co.	17,208 (63)	13,062 (112)	26,106 (52)	10,871 (46)
Waterlow & Sons	15,410 (72)	14,987 (117)	38,113 (76)	59,600 (84)
Totals (% of total purchases)	76,441 (18%)	103,119 (18%)	154,570 (9%)	179,109 (4%)

themselves should not purchase such goods, and that the company's remuneration was excessive.[2] Similarly, in 1902, a Birmingham firm complained that, like its fellow companies, it had never been employed by Blakemores, even though it regularly supplied the IO, WO, Admiralty and many Agent-Generals.[3] While, in 1904, it was claimed that the company failed to pass the whole of manufacturers' discounts onto the Agency.[4] In their defence, the Agents argued that Blakemores' use of a small number of manufacturers ensured quality and uniformity of pattern, and that the firm's staff were 'skilled experts in the hardware trade' and could thus buy to better advantage than themselves and were a better judge of quality.[5] Nevertheless, in 1902, to avoid 'questions', the Agents arranged for the company to include its own

[1] BE: C98/7202; C 98/7211-2; C98/7221-2; C98/7227. The annual figures are the totals of cheques paid to each company drawn on the Agents' general account and may be underestimates. The bracketed figures, except for the totals, are the number of cheques drawn, each of which may represent an order or part of an order.

[2] CO 137/613/31708, Sewell, 11 Oct. 1900.

[3] CO 323/481/2189, Hart to CO, 15 Jan. 1902. Blakemores insisted that the firm had been used.

[4] CO 323/492/29753, Blakemore to CAs, 20 Aug. 1904. Blakemores denied the charge.

[5] CO 323/474/8579, CAs to CO, 28 Feb. 1902; CAR.

commission in the price quoted for articles.[1] They also made less use of the firm, which by 1905 bought only 2.4% of total purchases, and by 1914 1.5%, perhaps preferring to use the commission agent Grindlay & Co., whose purchases on behalf of the Agents grew rapidly during the period (Table 2).[2]

Other goods purchased through retailers were timber, furniture, miscellaneous domestic goods, paper, and drugs. Timber was bought from Leary & Co., who obtained a brokerage of 1%.[3] Furniture came largely from J. Schoolbred & Co. and S.J. Waring & Sons, both of whom had premises in Oxford Street, London.[4] Miscellaneous goods were often bought from the Army & Navy Stores.[5] While paper was supplied by Messrs Saunders, who produced a small proportion of requirements themselves, purchasing the remainder from other manufacturers, from whom they obtained a commission of 5%.[6] Although the Agents claimed that the firm's 'expert knowledge' allowed them to 'secure the lowest price', others believed the paper to be 'far too expensive' and that the Agents were 'particular friends' of the company.[7] The Agency's relationship with the firm, which the CO regarded as 'curious', was certainly close.[8] In 1904, for example, to encourage standardisation, the Agents allowed the company to distribute to the colonies, at the Office's expense, a book of standard paper samples and a price list.[9] An action that presumably increased the company's goodwill towards the Agency, but also strengthened colonial reliance on the firm, though the Agents claimed that this was more 'apparent than real'.[10]

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[1] *Ibid.*

[2] The fall in Blakemores' proportion of total purchases may also be due to the growth in railway material purchases.

[3] CAOG 17/25, CAs to Lagos, 22 April 1912.

[4] CAOG 12/102, CAs to Nigerian Railway, 3 March 1914; CO 291/31/29427, CAs to CO, 21 Aug. 1901.

[5] *PPE*, q. 4352a.

[6] CO 54/704/44711, CAs to CO, 4 Dec. 1906; CAA: M 16, Mercer's notebook.

[7] *Ibid.*; *SCI*, 3 June 1908, p. 20.

[8] CO 54/704/44711, note, 6 Dec. 1906.

[9] CAOG 12/37, CAs to Saunders, 23 June 1902; *ibid.*, circular, 15 Jan. 1903.

[10] *Ibid.*, note, 25 Nov. 1902.

Drugs were bought from the Society of Apothecaries, whose use was the subject of numerous complaints. Criticism peaked in 1905 and 1907, when, respectively, Ceylon and British Guiana sent the Agents price comparisons that clearly indicated that drugs could be purchased far more cheaply privately.[1] Of the 522 items available in British Guiana from two private companies, for example, 73% could be obtained at prices on average 10% to 15% lower than those of equivalent articles purchased from the Society.[2] The Agents declared the comparisons invalid. The prices, which were highly volatile, were collected at different times. The drugs available in Ceylon were supplied in bulk, and the cost of their sub-division into packages/bottles was therefore borne by the customer. In addition, it was argued that, as contracts were given to the lowest tender, irrespective of the quantities required, private firms deliberately kept the price of rarely used medicines low, but those of common drugs high. The quinine available in British Guiana, for example, was 7% and 39% more expensive than that obtained from the Society. Merchant drugs were also of an inferior quality to those supplied by the Society, a claim confirmed, in the case of the British Guiana drugs, by the colony's Surgeon General, who tested a number of samples.[3] The Agents, in 1908, however, appear to have undergone a change of heart. Declaring that improved methods of preparation/grinding had reduced the cost and improved the quality of private supplies, they proposed that, as an experiment, Ceylon should be allowed for a given period, to purchase drugs through selective tender.[4] The trial led to 'a very substantial saving in cost', and the quality of the supplies, which the Agents had insisted should conform to British Pharmacopoeia definitions and be periodically tested, was found to be satisfactory.[5] The Agents, under CO pressure, thus extended competition to other colonies, though appear to have purchased a large majority of

[1] CO 54/696/41765, CAs to Col. Sec., 22 Nov. 1905; CO 111/558/15683, CAs to CO, 30 April 1907. See also CO 152/199/15905, CAs to CO, 6 Sept. 1895.

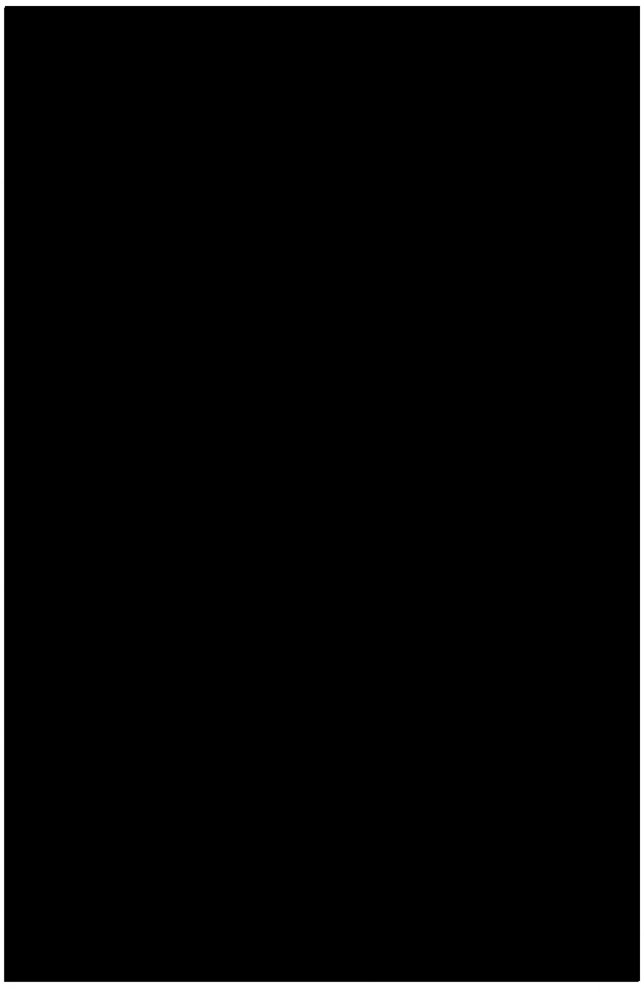
[2] CO 111/558/15683, CAs to CO, 30 April 1907.

[3] CO 111/564/11749, CAs to CO, 1 April 1908.

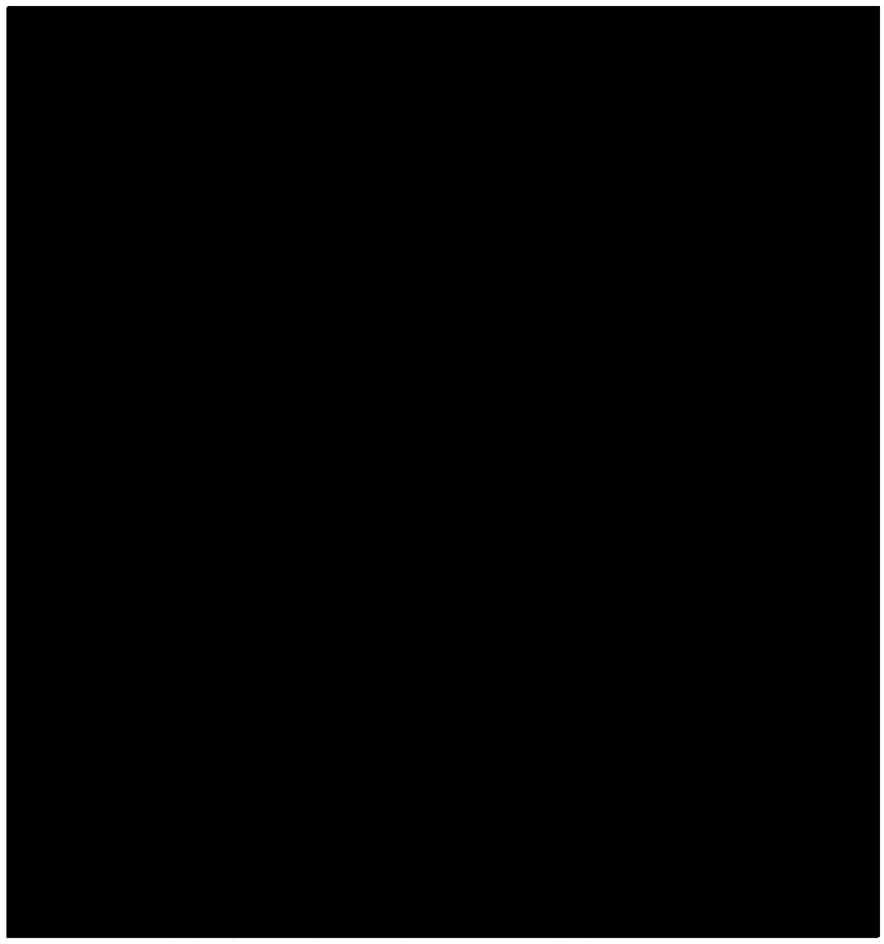
[4] CO 323/538/28422, CAs to CO, 31 July 1908.

[5] *Ibid.*; CO 323/553/40707, circular, no date.

W.Eraut, Assistant Head of Works, 1914[1]



C.E. Williams, Assistant Head of the Engineering Inspection Department,1914[2]



H.M. Warde, Assistant Head of Appointments, 1914[3]

London Docks, approximately 1900[4]

[1] *Crown Colonist*, August 1933, p.348.

[2] *Ibid.*

[3] *Ibid.*

[4] Y. Cassis, *La City De Londres 1870-1914* (Paris, 1987).

supplies from just one firm, Howard & Co.[1]

The remainder of the goods purchased without tender came from manufacturers and the WO. Manufacturers included Waterlow & Sons, who supplied colonial stationery; Millingham & Sons, from whom the Agents obtained envelopes; and Bickford & Sons, a fuze manufacturer.[2] The WO supplied arms, ammunition and ordnance stores, the value of which, in 1911, amounted to £30,000.[3] Use of the WO was compulsory and designed to ensure that it and its contractors continued to manufacture in peacetime on a scale that would allow rapid expansion in time of war.[4] The Agents strongly opposed having to purchase from the Office, as its general incompetence and the complex method of ordering materials greatly increased costs.[5] In addition, when goods were not available in the WO store, there was often a long delay whilst they were bought from trade or manufactured, for which the Agency took the blame.[6] The Agents also feared that colonial governments would be given permission to pass warlike store requisitions to local ordnance officers, rather than themselves. A 1903 proposal that this should occur was strongly resisted by the Agents, who regarded it as 'an attack on their business', and argued that Agency 'purchase' ensured CO control of expense and pattern, and that any incidental questions about an order were settled rapidly and efficiently.[7] The CO, however, although accepting that the proposal was not feasible for colonies distant from ordnance stores, did believe it possessed certain advantages for those closer to such stores, though did nothing to put

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[1] CO 323/553/40707, circular, no date; CO 554/7/9360, CAs to CO, 25 March 1912.

[2] *Ibid.*; CAOG 12/71, Notes.

[3] CO 323/581/19985, Lucas, 25 July 1911.

[4] *Ibid.*

[5] CO 323/527/118, CAs to CO, 1 Jan. 1907. The Office required four copies of each order, as opposed to the trade's one; queried the 'smallest variation' in wording from its catalogue; provided only one supply invoice, forcing copies to be made; and required payment 3-6 months after goods were shipped (*ibid.*; CAOG 12/71, Notes).

[6] CO 323/577/456, CO to CAs, 2 Jan. 1911.

[7] CO 323/483/5971, CAs to CO, 12 Feb. 1903; *ibid.*, Round, 18 Feb. 1903.

it into effect.[1]

In their complaints to the CO, the Agents stressed the size of the WO's purchasing commission, 5%, for goods from the Office's ordnance factories, and 5.5% for those specially bought in. They also argued that WO prices were 12% to 28% higher than those quoted by private suppliers,[2] a claim queried by the CO Principal Clerk F.R. Round, who believed that, given the large quantities supplied, the WO could probably purchase goods more cheaply than the Agency.[3] Nevertheless, in 1911, the CO gave the Agents discretion to order ordnance stores elsewhere when there was reason to believe that serious delay or expense would arise from WO supply, and, on occasion, where the WO cost was excessive or involved delay, gave them permission to order armaments elsewhere,[4] The Agency also, occasionally, bought military stores privately without CO authorization.[5]

The extent to which the Agents used competition varied over time. From the late 1890s, the Agents' use of competition declined, due to their dire financial situation and the increase in colonial demand for goods. Although their workload had grown, they were reluctant to increase staff numbers. More staff would plunge them further into debt and lead to criticism from the CO.[6] Moreover, the work arising from railway projects rose and fell, as schemes started and were completed, and there was a risk that the general rise in colonial purchases would prove short lived. New principals

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[1] *Ibid.* It was believed that ordnance store purchase would eliminate delay, and, as store heads would buy goods direct, lead to more satisfactory purchase, and allow colonies to know the final cost immediately, reducing budgeting problems (*ibid.*).

[2] CO 323/517/40711, CAs to CO, 3 Nov. 1906.

[3] CO 323/483/5971, Round, 18 Feb. 1903.

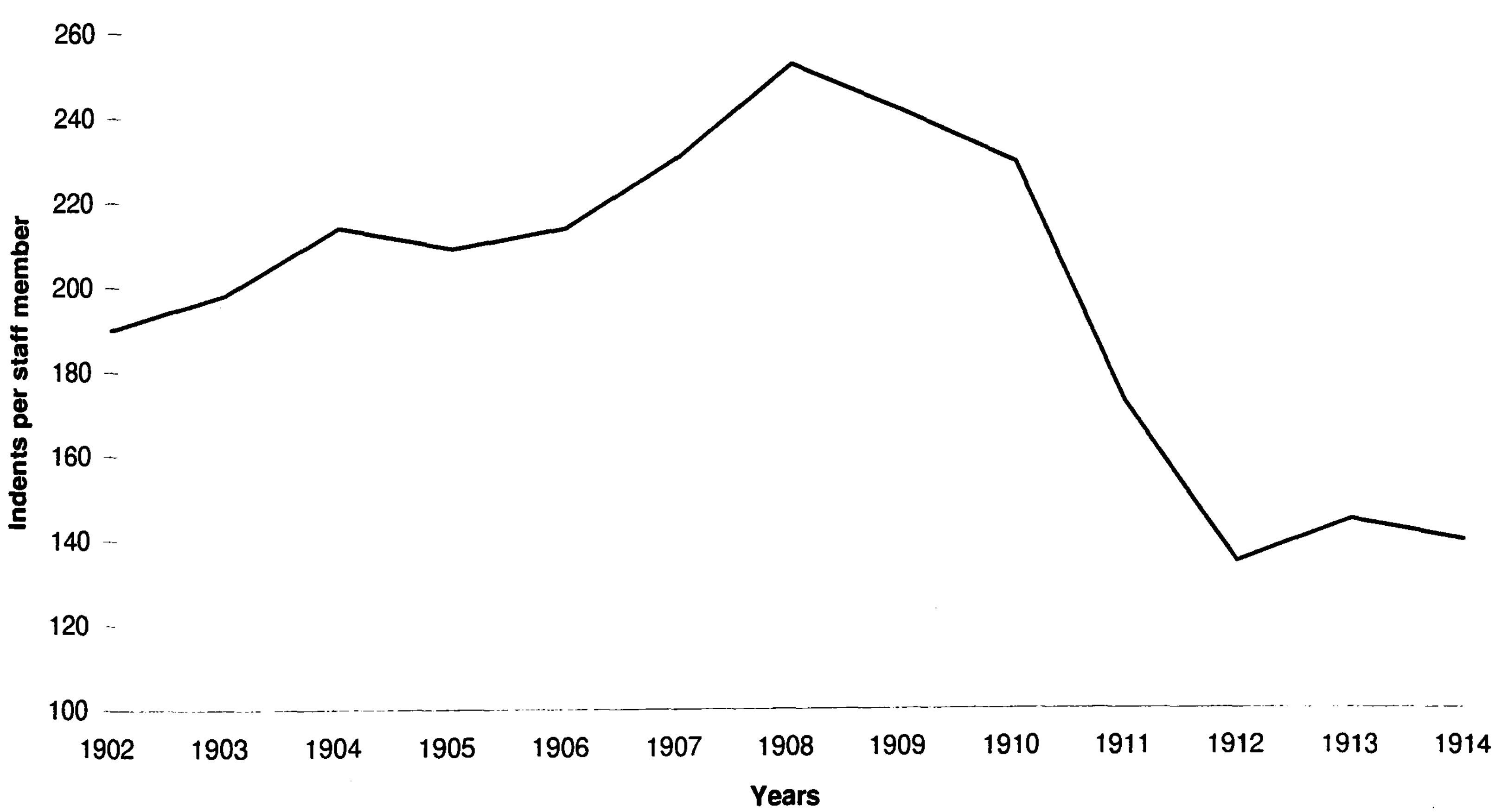
[4] CO 323/581/19985, CO to CAs, 1 Aug. 1911; CO 129/404/24135, CO to WO, 23 July 1913.

[5] eg. CO 323/581/25250, WO to CO, 30 June 1911; CO 323/581/24960, WO to CO, 25 July 1911.

[6] Asked at the enquiry, why he did not request CO permission to implement changes in the organisation of the Office in 1901, Blake replied 'the Secretary of State's staff take it upon themselves to criticize our work and to be our master' (*PPE*, q. 4092).

could become self-governing colonies and railway construction was bound to eventually slow or come to a halt. There was thus the danger that an expansion of the Office would be followed by a fall in the workload, leaving the Agents with an expensive establishment to maintain and eventually dismiss and compensate.[1] The general purchasing department, which purchased non-engineering goods, and also, presumably, the Works/engineering department, therefore raised productivity by increasingly dealing with merchants and reducing the number of goods obtained through competition (Figure 2).[2] This strategy, by raising prices, also increased the amount earned from the 1% commission and Office income, and, by reducing the likelihood of the supply of poor quality goods, minimised criticism.[3] In addition, the departments increasingly began to combine orders and place them with firms without first obtaining an estimate, and adopted various other practices 'which need not be mentioned'.[4] As a result, there was an increase in 'misinterpretations and omissions',

Figure 2: General Department Productivity 1901-14[5]



[1] *PPS*, q. 10,824; CO 291/74/26378, CAs to CO, 26 Sept. 1904.

[2] CAOG 12/40, no. 7, memo, 4 Jan. 1908.

[3] CO 323/577/32800, CAs to CO, 7 Oct. 1911.

[4] CAOG 12/40, no. 7, memo, 4 Jan. 1908.

[5] CAOG 12/40, No. 1 and No. 22. Pre-1901 figures are not available.

longer delays, poorer management, and an absence of initiative, owing to the lack of any 'reserve of time for thought'.[1]

From approximately 1908, the Agents made greater use of competition. The increase in loan issues raised Office incomes, and the Agents' wish to avoid putting into action the enquiry's recommendation that their profits and Reserve Fund income should be redistributed to the colonies in the form of lower fees prompted them to raise costs and increase staff numbers. In addition, greater standardization of goods reduced the risk that an unknown contractor would supply ineffective/poor quality articles.[2] By 1911, the Agents had begun to invite tenders for paper and drugs, and, by 1914, for enamelled wire and electroplate.[3] While, in 1914, furniture orders were, for the first time, passed to manufacturers, even though the Agents thus obtained 'less commission, as the money value is less'.[4] Other goods also began to be put up to competition and supplied by manufacturers. In the general purchasing department, productivity fell (Figure 2), and indents, which usually contained demands for a large variety of articles, were split into smaller company orders, suggesting that there was less use of merchants, who generally supplied large combinations of goods (Figure 3). Similarly, the value of company orders grew to a lesser extent than that of indents, reflecting a greater reliance on competition, which slowed order price rises (Figure 4).[5] The Agents, however, still appear to have purchased a significant proportion of articles from single manufacturers/merchants. Analysis of successful tenderers published in the *Board of Trade Labour Gazette*, from 1910-14, shows that the Agents purchased 16% of those goods for which at least three orders had been awarded, from one supplier, as compared with the IO's 11% (Table 3).

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[1] *Ibid.*; CO 885/8/151, note, 7 Oct. 1902.

[2] CO 323/591/36350, CAs to CO, 15 Nov. 1912.

[3] CO 323/577/32800, CAs to CO, 7 Oct. 1911; CAOG 16/25, memo, 29 April 1914.

[4] CAOG 12/102, HS to Mercer, 15 Jan. 1904.

[5] The slow rise in order prices is also reflected by the price lists that the Agents distributed to colonies from 1906. Of the 35 articles supplied in both 1907 and 1911, the price of 46% fell, 57%, if seven types of canvas are excluded (CAA: CA circulars and papers). In comparison, the Board of Trade wholesale price index rose, during the same period, from 106 to 109.4 (B.R. Mitchell, *British Historical Statistics* (Cambridge, 1988), p. 728).

Figure 3: General Department Orders per Indent 1906-29[1]

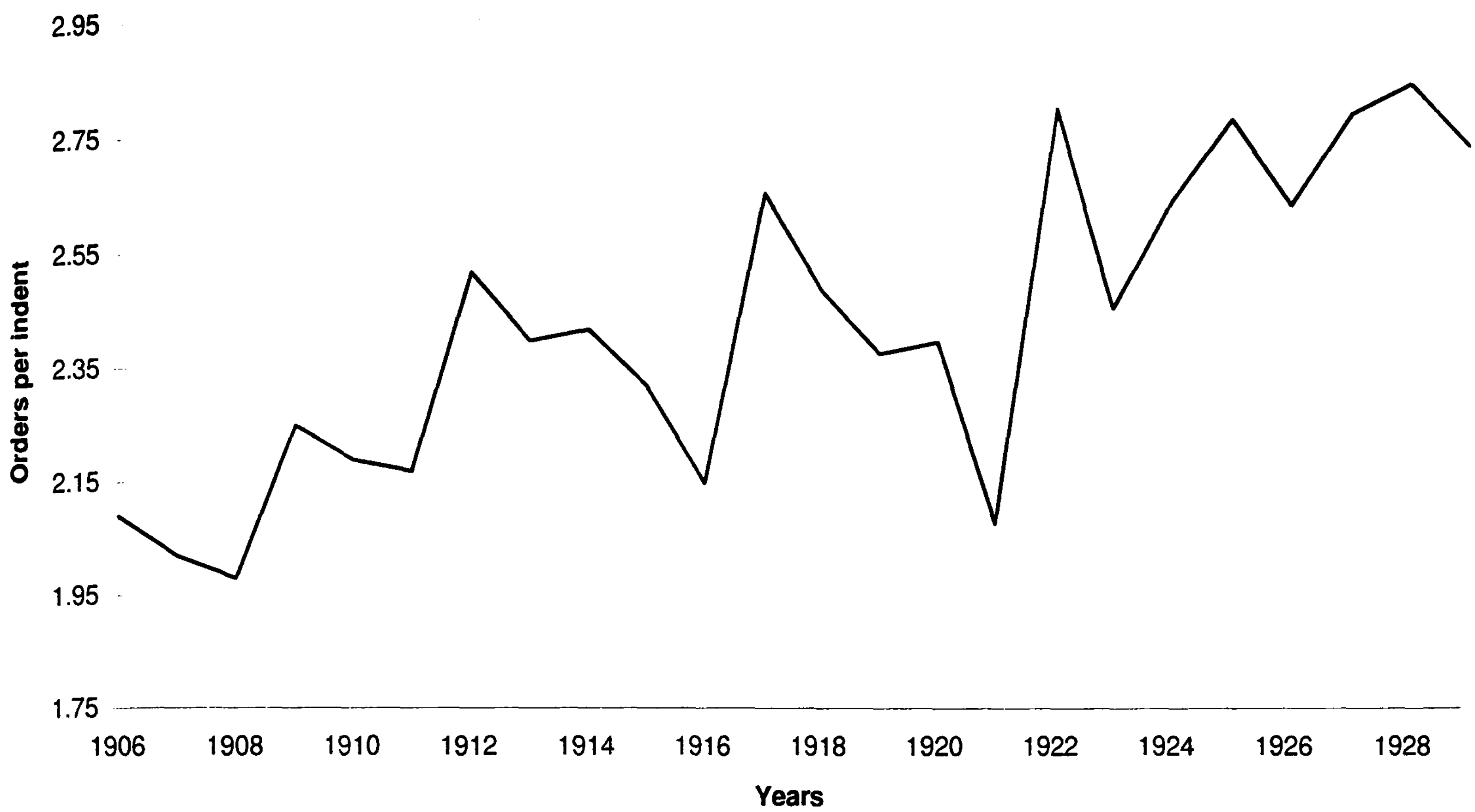
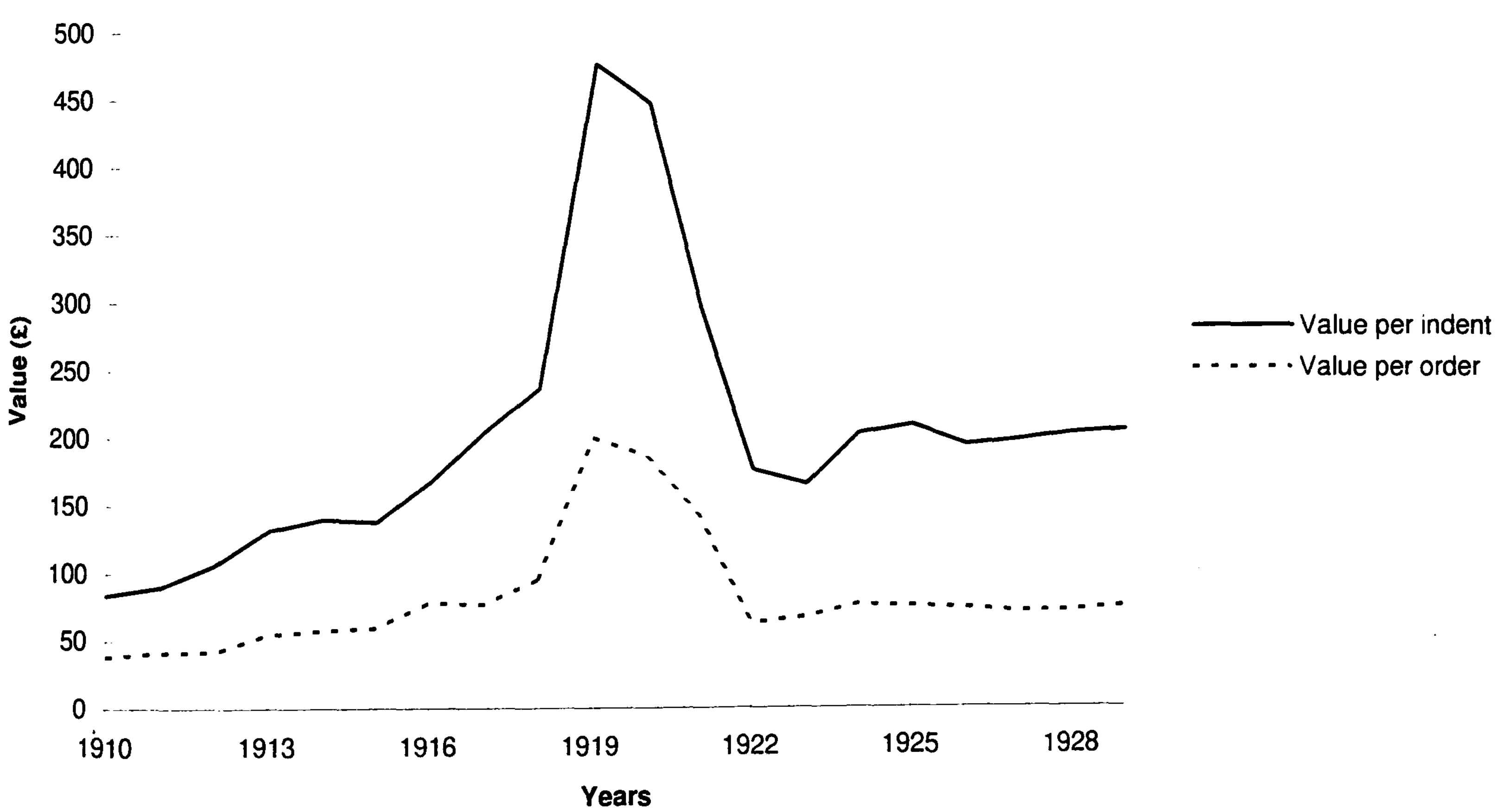


Figure 4: General Department Average Indent and Order Values 1910-29[2]



[1] CAOG 12/40, No. 6 and No. 22.

[2] *Ibid.*, No. 22 and No. 27-47.

Table 3: CA and Indian Office Purchases 1910-4[1]

	CAs	IO
Percentage of goods with three or more orders, of which 100% were obtained from one supplier	16.1	10.8
Percentage of goods with three or more orders, of which 70% were obtained from one supplier	31	18.7

2.2.iii Ineffective monitoring and reluctance to purchase foreign goods

Other reasons for the high CA prices were the ineffective monitoring system, and the Agency's reluctance to buy cheap foreign manufactures. As regards CO monitoring of prices, the Secretary of State, when receiving colonial complaints of excessive cost, generally accepted the Agents' explanations, rarely criticised them, and exercised his power to fine only once.[2] Monitoring was poor because the CO lacked the necessary purchasing and engineering experience, and, though on a number of occasions they considered obtaining external advice, they appear never to have done so.[3] They also wished to avoid political controversy, and were therefore reluctant to become involved in purchasing disputes. For instance, in 1898, Sir R. Antrobus, in response to a Gold Coast complaint, stated that it was 'unprofitable...to say who is right', and, in 1908, the CO Principal Clerk C. Harris advised that British Guiana correspondence on a local paper order should not be passed to the Agents, as 'we shall do no good keeping up the controversy'.[4]

Colonial/Agent monitoring of prices was equally ineffective. To allow monitoring to occur, CEs were required to estimate the cost of any articles designed, and the

[1] *Board of Trade Labour Gazette*, 1910-4.

[2] In 1901, Chamberlain forced the Agents to pay £600 compensation to Jamaica for the purchase of overly expensive rolling stock (CO 137/623/44147, Lucas, 3 Jan. 1901).

[3] eg. CO 273/332/16717, Green, 17 May 1907; CO 147/138/2606, Grindle, 22 Nov. 1898.

[4] CO 96/365/3743, Antrobus, 20 Feb. 1900; CO 111/558/42079, Harris, 20 Jan. 1908.

colonies to state, on the requisition form, the maximum price they wished to pay for each item and the expected cost of the entire order.[1] The Agents, before purchase, could thus compare the order price with the estimate/colonial maximum, and, if the former was excessive, refer back to the colony for instructions. As an additional protection, the CE, before providing his recommendation, also compared the two figures.[2] Many colonies, however, failed to fix a maximum price or set excessively high maximums, as they had little knowledge of UK prices and wished to avoid the delay caused by referrals, realising that they knew little of the range of goods available and that the only instructions they could give the Agents were to abandon the order, or, if the articles were essential, to pay the excess. Similarly, the Agents/CEs often failed to monitor prices, with Antrobus, in 1901, attributing 'half the disputes with the colonies' to the Agents' failure to pay 'enough attention to what the colonies can afford or are prepared to spend'.[3] In 1900, for example, the Agents failed to check the price of a locomotive obtained for Lagos with the requisition price, with the result that the colony had to pay twice what it had intended.[4]

Moreover, the Agents, to avoid 'pedantic and annoying' referrals, but largely to minimise administration costs and delay/criticism, only referred back to the colony if the total cost of requisition articles exceeded the prices quoted by 25%, the order was not urgent, and there was no doubt as to the articles required.[5] In many cases, orders were not, even then, queried. In 1901, for instance, the Agents failed to contact Jamaica, even though passenger cars required for the colony's railway were 80% more expensive than the estimate.[6] Alternatively, the IO, after determining the price of an order, always telegraphed India for approval.[7] In 1902, under colonial pressure, the

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[1] CAOG 12/71, example requisition form.

[2] CO 137/623/3351, CAs to CO, 25 Jan. 1901.

[3] CO 96/385/9930, Antrobus, 26 March 1901.

[4] CO 147/152/14525, Ezechiel, 11 May 1900.

[5] CAR.

[6] CO 137/631/7724, CO to Jamaica, 25 April 1902. See also CO 147/152/14525, CAs to CO, 4 May 1900.

[7] *PP 1896*, xv (Cd 8258), q. 2633.

Agents allowed each colony to lay down limits by which it would permit prices to be exceeded before referral became necessary.[1] The initiative, however, greatly increased referrals, particularly of small requisitions, the price of which was easily exceeded. The Agents therefore, in 1904, regained discretion as to the referral of small items, though they agreed to always contact colonies if prices were exceeded by £10.[2] In 1907, in a further attempt to prevent overexpenditure, N. Nigeria required the Agency to reduce the quantities of goods purchased if prices exceeded the maximum set.[3] The Agents objected to the demand, which merely increased their workload, as the remaining quantities were usually reordered later in the year.[4] Pressure was therefore placed on the CO, who asked the colony to abandon the requirement.

Prices were further raised by the Agents' reluctance to buy foreign materials. In 1911, for example, just £2,185 of goods were inspected overseas.[5] Alternatively, the IO, from 1898/9 to 1914/5, obtained between 1.6% and 10% of its stores from non-UK countries, and the WO, except for certain war materials, always allowed foreign manufacturers to tender, and only favoured British contractors if the price difference was 'negligible'.[6] Foreign purchase was primarily discouraged by the CO's general support for British preference, motivated by a fear of the loss of British colonial markets, which, in the case of a number of Crown colonies, appears to have been well grounded (Table 4). Although CA purchases in 1899 accounted for only 6.2% of Crown colony UK imports, it was believed that government purchase of British goods set an example that would be followed by the private sector.[7] Other factors that discouraged overseas purchase include the relatively high associated administration

[1] CO 323/492/36051, CAs to CO, 19 Oct. 1904.

[2] CO 323/492/40471, CAs to CO, 28 Nov. 1904.

[3] CO 446/67/13734, CAs to CO, 18 April 1907.

[4] *Ibid.*

[5] CAA: file 53, 1913 report.

[6] *PP 1904*, lxvii (Cd 1915), p. 87; *PP 1908*, lxxv (Cd 3969), p. 105; *PP 1913*, xlviii (Cd 6783), p. 88; *PP 1916*, xxi (Cd 8343), p. 144; WO 254/3, p. 532, 27 Aug. 1907.

[7] *PP 1904*, lxxviii (264); *PP 1914/6*, lxxix (Cd 7786).

Table 4: Crown Colony UK Imports 1880/1914 (% of total imports)[1]

Colony	**1880**	**1914**
Ceylon	30	29
Gold Coast	84	70
Jamaica	53	38
Mauritius	17	31
Sierra Leone	72	70
Straits	26	11
Trinidad	35	29

costs; the lower commission earned on the cheaper goods obtained; from 1904 and the establishment of the engineering inspection department, the greater cost of inspection, which failed to be offset by a higher fee; and the risk that the materials bought would be of a sub-standard quality.[2] There was also probably a fear of criticism from the British press, who were strongly pro-British.

Foreign firms were invited to tender for Crown colony supplies in four circumstances. Firstly, where the Agents wished to encourage British firms or cartels to reduce prices. In 1904, for example, the Agency explicitly warned the members of the rail cartel that an advert for rails for the FMS was to be placed in the USA press, and that any suitable American tenders would be accepted.[3] The Office generally went to great lengths to avoid carrying out such threats. In the case of the FMS rails, for instance, on the discovery that the second lowest tender was from the USA, 'every effort' was made to induce the British tenderers to reduce their prices, and a manufacturer, who underbid the Americans, was encouraged to offer a more suitable port of shipment.[4] Orders were placed abroad only when the cartel remained intransigent, the Agents then using the order to encourage ring members to lower their future prices. In 1901, for

[1] *PP 1894*, xcii (Cd 7526); *PP 1916*, xxxii (Cd 8329)

[2] *SCI*, 9 March 1904, p. 7; CAA: file 53, 1911 report. The cost of inspecting foreign purchases, in 1911, was £119, but the fee charged only £60 (CAA: file 53, 1913 report).

[3] CO 273/304/31241, CAs to CO, 7 Sept. 1904.

[4] *Ibid.*

instance, after placing a cement order in Germany, the Agents warned the Secretary of the Associated Portland Cement Co., the cement cartel, that, unless prices were reduced, 'our business...which is already very large and likely to increase, will most assuredly go abroad'.[1] The strategy, on the whole, was successful. In 1904, the threat of foreign purchase caused the rail cartel to reduce prices from £5/10/- to £5/2/6 per ton, and, when an order was placed in the USA and the cartel realised 'we were in earnest', to £4/14/- per ton.[2] The possibility that foreign firms, reluctant to be used in this way, would fail to tender or offer their best prices was avoided by the Agents, in such cases, placing tenders abroad when the price difference was greater than 5%.[3]

Foreign goods were, secondly, purchased where it was clear that a very distinct advantage would accrue to a colony, generally interpreted as a price difference of more than 10%, or where there was likely to be a lengthy delay in delivery, due to a strike or other causes.[4] The Agents, in 1900, for example, purchased Jamaican railway carriages in the USA, because 'long deliveries' were offered by British firms, and, in 1912, obtained West African cement from America to avoid the London dock strike.[5] Overseas tenders were also invited where a particular country produced goods that were not available in Britain, or were more advanced than those manufactured by domestic firms eg. electrical engineering goods.[6] An exception was electric light carbons, which, though superior products could be obtained from Germany, were, from 1911, purchased from the General Electric Co. on the advice of the Admiralty, who wished to ensure their continued UK production on the 'grounds of Imperial defence'.[7] Similarly, in the case of the Transvaal, whose business the Agents took

[1] CO 520/10/15284, CO to CAs, 5 June 1901.

[2] CO 323/492/10117, memo, 16 March 1904.

[3] *Ibid.*

[4] CO 273/304/23875, CO to CAs, 12 July 1904; CAOG 12/97, memo, 19 Feb. 1926; CO 273/253/34283, Chamberlain, 20 Dec. 1902.

[5] CO 137/623/3351, CAs to Cooper, 8 May 1900; CO 323/591/22145, CAs to CO, 15 July 1912.

[6] CO 273/276/39738, FMS to CAs, 30 Aug. 1901.

[7] CO 323/577/2738, CAs to CO, 26 Jan. 1911.

over in 1901, the Office, for some years, sent repeat orders to foreign firms used by the previous administration.[1]

Finally, there were a number of miscellaneous reasons for the high price of CA purchases. It seems likely that the Agents failed to receive full trade and cash discounts from manufacturers, owing to their lack of commercial awareness, and, from the suppliers' point of view, the high cost of dealing with orders.[2] Numerous colonies complained of the lack of discounts, and, in 1908, the Agents added a note to their tender form that specifically warned suppliers that failure to provide normal rebates would cause them to be struck off the Office's lists.[3] The warning, however, appears to have had little effect. In 1910, for instance, a letter from Thorneycroft & Co. to its British Honduras agent revealed that the firm was 'in the habit of quoting full list prices to the CAs'.[4] Similarly, the Agents were reluctant, when buying public works materials, to take advantage of any fall in price by purchasing all the materials required for a project at one time, which would also have gained them a bulk purchase discount. Instead, they preferred to buy goods as they were needed, as large one-off purchases were speculative, tied up capital for no return, and led to high storage and deterioration costs.[5]

Prices were additionally raised by the small amount of goods ordered by colonies, and their reluctance to accept standard articles, which prevented the combination of orders. As a result, the Agents were again often denied bulk purchase rebates, faced relatively high delivery charges, and were unable to enter long-term contracts under which goods

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[1] CAOG 12/97, memo, 1 Feb. 1930.

[2] *Hansard*, 4th series, 1904, cxxxv. 1331, 1337. In 1906, for example, it was discovered that the Vacuum Oil Co. charged merchants a lower price for lubricating oil than the Agents (CO 54/704/41348, CAs to CO, 9 Nov. 1906).

[3] CAOG 14/66, FMS railway manager, 8 May 1905; *SCI*, 3 June 1908, p. 20.

[4] CO 123/266/16375, CAs to CO, 31 March 1910. The Agents claimed the practice was not widespread (*ibid.*).

[5] CO 273/313/6939, CAs to CO, 3 March 1905.

were supplied for a set period at a set price.[1] The tendency of colonies to mark goods 'urgent' to avoid delay also increased prices, as manufacturers generally charged a premium for rapid delivery.[2] In 1902, the Agents asked colonies only to use the term if goods were genuinely required urgently, but to little effect.[3] In 1911, 90% of Lagos textile, blanket and cap orders continued to be described as 'urgent'.[4]

There is also the possibility that prices were affected by the operation of rings and cartels. The use of limited competition increased the likelihood of the establishment of unofficial rings of list members, as the small number of firms tendered would have ensured that each member would have regularly won a contract and made agreements easier to reach. According to the writer E.D. Morel and the ex-governor Sir F.A. Swettenham, rings of list members were common, particularly where large goods, such as locomotives, were put up to competition.[5] The Agents, however, denied the charge, and there is no evidence of the operation of such groupings. On the other hand, the Agents accepted that industry rings existed, but claimed that the Office was largely unaffected by their activities. The Agency circumvented a blasting powder ring by placing orders with non-ring firms, the rail and cement associations through the purchase of foreign goods, and the American paraffin cartel through the use of British companies.[6] It, however, failed to avoid the influence of the American turpentine trust or the steel sleeper cartel.[7] Whether these cartels treated the Agents in the same way as other firms is not known. Certainly, in the inter-war period, the belief that the Agents would never buy large amounts of goods overseas, led cartels to charge the

[1] CO 273/342/3102, CAs to CO, 27 Jan. 1908. The adoption of long-term contracts was further discouraged by their speculative nature.

[2] CAOG 12/71, Notes.

[3] *Ibid.*

[4] *Ibid.*, note, 13 Nov. 1911.

[5] *PPE*, q. 860; B[ritish] L[ibrary] of P[olitical] and E[conomic] S[cience]: Morel papers, F (9), Morel to Antrobus, March 1904.

[6] CO 323/492/10117, CA memo, 16 March 1904.

[7] *Ibid.*

Office far higher prices than their other clients.[1] The Steel Sleeper Association and the Switches and Crossings (Export) Association, for example, used the Agents as a milch cow, charging them far higher prices than any other customer, and using the profits earned to cross-subsidize more competitive work.

2.3 Other Purchase Costs

The cost of goods supplied by the Agency comprised, in addition to purchase price, the Agents' own commission, inspection and packing charges, and the shipping agent's fee, freight insurance, the cost of shipment, and occasionally legal charges. Owing to the Agents' wish to maximise Office income and avoid criticism, all these expenses were excessive. Until 1886, the Agents' remuneration for the purchase of goods took two forms. The larger colonies paid the Office an annual lump sum, the size of which varied according to the work performed. Alternatively, the smaller colonies, whose purchases were too limited to justify an annual contribution, paid a commission of 5% or 2%, depending on the article supplied, and, for paper, 3%.[2] In most cases, the annual contributions failed to cover the cost of the Agency's purchasing duties, which were financed by the large fees it earned from its loan work. In 1880, however, the loss of responsible government colonies greatly reduced this income, and the small size of the orders of the remaining colonies increased the Office's purchase administration costs. After some years of losses, the CO therefore, in 1886, allowed the annual contributions to be used to cover the cost of a number of services for which no charge had previously been made, and the Agents' purchase work to be remunerated by a universal 1% commission.[3]

Although the commission was generally treated as Office income, when, in exceptional circumstances, the Agency was required to undertake additional purchasing duties that added to its workload, it was distributed to the Agents or their staff. In 1891, for

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[1] J.F. Hargrave, *Competition and Collusion in the British Railway Track Fittings Industry* (Durham Univ. PH.D thesis, 1992), p. 301.

[2] CO 323/364/5663, CAs to CO, 2 April 1886.

[3] *Ibid.*; *PPS*, q. 10755. A commission was preferred over an annual fixed sum, as the former took account of fluctuations in business, and was thus, for the colonies, a fairer form of remuneration.

example, the £450/60 earned for the purchase of goods for the British S. African Telegraph Account, the De Beers Volunteers, and the British S. Africa Co. was paid directly to the clerks involved.[1] While, in 1896, the Agents received 1/3 and their staff 2/3 of the £1,491 earned during that year from the purchase of Uganda railway materials.[2] The commission was charged on the value of goods shipped ie. the cost of the article, the shipping agents' fee, insurance and freight, and, according to the Agents, was relatively low.[3] It was certainly lower than the commissions set by the WO, Admiralty and Stationery Office, who charged respectively 5%, 10% and 5%.[4] It was also less than most merchant fees, which, owing to their small turnovers, colonial presence, and high colonial capital charges, varied between 2.5% and 10%, though many merchants claimed that they would be willing to complete government purchase for little or no profit, for the prestige value and to facilitate bulk purchase.[5] Compared to private railway companies and the IO, however, it was relatively high. A 1901 comparison of the Agents' remuneration for the purchase of materials for the Uganda railway with the expenses of five comparable Indian railway companies and one Egyptian company by the URC, who organised construction of the line, found that the Agency's remuneration far exceeded the private companies' costs. Whereas the Agents' average annual charge was £4,807, that of the railway companies varied between £1,087 and £3,733, and averaged £2,460 pa.[6] The Agents argued that the Ugandan railway business was 'extremely onerous and responsible', and claimed, somewhat disingenuously, that it charged the railway committee a lower fee than its usual principals, who additionally paid an annual contribution.[7] The committee were

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[1] CO 323/383/15937, CAs to CO, 17 April 1891.

[2] CO 323/415/5386, CAs to CO, 13 March 1897.

[3] CO 323/577/34999, CAs to CO, 29 July 1912.

[4] *PP 1896*, xv (Cd 8258), q. 11,745.

[5] *Ibid.*, q. 11745; *PPE*, q. 3675; CAOG 14/66, CAs to Anderson, 27 Dec. 1905; *The Argosy*, 6 Oct. 1906, p. 5. In addition, many merchants during shipment charged interest on the cost of an order and freight (*Daily News*, 27 April 1904, p. 6). The claim that government work would allow merchants to reduce their fees is supported by HP: mss Afr. s 1657, 1, jd/4b, Holt to Deemin, 20 July 1908, p. 37.

[6] T1/9660A/7003, memo, 27 March 1901. The railway companies' annual purchases were roughly the same as those of the Agents.

[7] CO 537/68, CAs to URC, 8 Jan. 1901.

unconvinced, but nevertheless let the matter drop, as the majority of the railway materials had been purchased, and it was feared that, if the complaint was pursued, the Agents could quit and some difficulty might be experienced in finding a replacement.[1]

The expenses of the IO, which was financed from the revenue of the government of India, for the purchase and packing of goods and the organisation of shipping amounted, in 1878/9, to 0.17%, and, in 1887/8, to 0.14%.[2] If the fees paid for the purchase of goods from the WO, Admiralty, Stationery Office and Inland Revenue were included, the cost, in 1887/8, rose to 1.97%, and, if inspection was added, to 3.5%.[3] The Office's expenses were lower than those of the CAs partly because its orders were far larger and it therefore had lower associated administration costs. In 1924/5, for example, the average IO order was £350 as compared to the Agents' £76, and, in 1907, each CA purchasing employee administered £18,682 of goods per year, as opposed to the £50,561 dealt with by each member of the IO's purchasing staff.[4] In addition, the Agents' work was more difficult than that of the IO, owing to the greater number of principals, each with their own different needs and preferences; the necessity of ensuring that expenditure had been sanctioned by the CO; and inadequate completion of order forms, due to the relatively poor quality of colonial staff.[5] However, even if the greater and more difficult workload of the Agents is taken into account, their commission still appears to have been too high, particularly if the great increase in purchases from 1886, when the 1% commission was first set and the accompanying fall in administration costs, is taken into account.

The commission was excessive, because it had to additionally cover the cost of the

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[1] CO 614/9/49, note, 4 April 1901.

[2] *PP 1896*, xv (Cd 8258), q. 11,714-6.

[3] *Ibid.*, q. 11,716.

[4] *PPE,* Appendix iv; *ibid.*, Appendix vii; *ibid.*, q. 424; *PP 1924/5*, xxi (711), p. 9; CAOG 12/40, no. 27-47.

[5] *PPR*, p. vii.

organisation of public works construction and various other services, for which the Agency obtained no fee eg. the preparation of agreements with banks and commercial organisations, negotiation of colonial concessions, the administration of coolie emigration etc. Such services, when the fee structure was first introduced, had involved very little work, and, given the difficulty of calculating their cost, it had been decided that no charge should be made.[1] By 1907, when the cost of the services had reached £3,000 pa, the Agents proposed that the work be remunerated. The CO, however, although it considered the introduction of a charge for correspondence and an annual quarterly lump sum payment, decided that the matter 'should rest for the present'.[2] The commission, by the 1890s, had also to partly finance the Agents' miscellaneous services, the cost of which, because of the growth of the work involved, was no longer covered by the annual contributions paid by the larger colonies.

To ensure the supply of quality goods and avoid colonial criticism, the Agency closely monitored acquisitions through inspection, and, to prevent damage during shipment, repacked them. The Agents' inspection process was extensive and costly. In the case of engineering goods, a large proportion of the materials were inspected before production commenced, and all goods were inspected during manufacture.[3] Other materials, such as cement and coal were examined after production, and clothing, textiles, boots, military supplies, and miscellaneous goods such as wagon covers and twine were transported to the Agents' London packers' warehouse for inspection.[4] In comparison, the WO inspected only steel and small arms during production, though all delivered goods were examined, and the Admiralty and IO largely inspected goods on delivery.[5] Many colonies believed the amount of inspection undertaken was excessive, arguing that the use of leading firms, who possessed highly effective inspection departments and whose reputations and businesses would be damaged by

[1] CO 273/332/7781, CAs to CO, 1 March 1907.

[2] *Ibid.*, note, 11 March 1907; *ibid.*, Fiddes, 11 March 1907.

[3] CAR.

[4] *PPE*, q. 4851, 4918, 4727, 1468; CO 323/797/10073, CAs to CO, 14 Feb. 1919.

[5] *PPWO*, q. 448, 2328; *PPE*, q. 431, 2481, 2491.

the supply of poor quality goods, made the practice unnecessary.[1] The Central S. Africa Railway became so disgruntled that, in 1905, it requested that only certain articles be inspected.[2]

The Agents, however, argued that inspection prevented fraud, and that 'even the best firms' could not, 'under the stress of competition, be relied upon to turn out their best work'.[3] If inspection occurred only in the colonies, many defects would fail to be discovered on delivery, owing to the poor quality of local inspectors; there would be long and costly delays whilst defective articles were replaced; and colonial inspectors, aware of the high cost of rejection, would lower their standards.[4] In addition, suppliers would raise prices or no longer tender for Crown colony orders, owing to the need to employ a local agent to protect their interests, the cost of transporting a replacement good to the colony and the defective article back to the UK, and the delay in payment, which occurred only after inspection.[5] As regards the form of inspection to be adopted, works inspectors reduced delays, as their monthly progress reports allowed the Office to send reminders to laggardly contractors, and defective components or partly completed work could be replaced more rapidly than ineffective completed goods.[6] Inspection visits to works also discouraged fraud, particularly the supply of goods manufactured abroad. While the relatively low cost of replacing partially completed articles and the close relationship that often developed between suppliers and inspectors, who could often suggest useful design and production improvements, prevented long and costly disagreements over the replacement of defective goods and supplier retaliation through price rises or the boycotting of

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[1] *PPE*, q. 1028; CO 18/214/4807, CAs to CO, 4 March 1889.

[2] *BSAEG*, 1 June 1905, p. 1407.

[3] CAR. The Agents' inspectors discovered a number of cases of fraud. In 1908, for example, a contractor was discovered using a false inspectors' stamp to pass sub-standard goods (CO 537/54, Ommanney to O' Callaghan, 4 April 1898). In 1892, a cotton waste manufacturer was found to have mixed cotton waste, rejected by an inspector, with the replacement waste (CAA: file 20, Bowring to Stanger, 11 Jan. 1892).

[4] CAR.

[5] CO 291/74/26378, CO to Milner, 20 Aug. 1904.

[6] CAR.

tenders.[1] Similarly, the transport of clothing etc to London for inspection ensured a minute and detailed examination, was often cheaper than sending an inspector to the works, and prevented the substitution 'through carelessness or fraud' of uninspected for inspected goods.[2]

Until 1904, inspection was undertaken by freelance inspectors, based either in the major UK industrial centres or the London packing warehouse, or by the Agents' CEs, who inspected the larger engineering goods they had often designed. The Agents' monitoring of inspection work was generally ineffective, owing to their physical distance from the inspectors; their lack of engineering experience and expertise, and reluctance, except on rare occasions, to obtain external advice; and, in the case of paper, drugs, enamelled wire and electroplate, the fact that test samples were chosen by the manufacturer.[3] In addition, neither the inspectors nor, to some extent, the Agents had much incentive to ensure adequate inspection. Although the CEs were engaged for long periods, the freelance inspectors, apart from the inspectors of clothing/dry materials and boots/leather goods, were employed on an ad hoc basis, and the cost of dismissal was consequently low.[4] Similarly, neither the Agents nor the inspectors/CEs were held financially responsible for poor inspection. The Office refused to accept responsibility, as the inspectors/CEs were legally employed and paid by the colonies, and colonial governments were discouraged from seeking damages from inspectors/CEs, who, as a result, could be discouraged from working for the Office.[5] Moreover, until 1901, the Agents continued to earn their 1% commission for the purchase of replacement goods, with the remuneration charged thereafter being

[1] *Ibid.*, enclosure c; *Crown Colonist*, 1933, p. 371-2.

[2] CAOG 17/22, memo, 23 Nov. 1908.

[3] CAOG 16/25, memo, 29 April 1914. The Agents checked their inspectors' explanations of poor inspection only in 1901, when they passed samples of bungalow materials and hoes to, respectively, the WO Chief Surveyor and Chief General Stores Inspector (CO 96/386/37044, CAs to CO, 21 Oct. 1901; CO 537/68, CAs to URC, 10 Jan. 1901). The Office only began to sample paper etc themselves in 1918 (CAOG 16/25, Clothing department to Warde, 25 July 1921).

[4] CO 323/492/2218, CAs to CO, 18 Jan. 1904; CO 323/383/14469, CAs to CO, 16 July 1891.

[5] *PPE*, q. 1471.

determined according to the facts of each case.[1]

Not surprisingly, therefore, the standard of inspection was poor, and many colonies were supplied with defective materials. In 1904, for example, ironwork intended for the Lagos Court House, was found to have ill-fitting joints.[2] Timber destined, in 1901, for the Gold Coast Government House, was discovered to be of poor quality.[3] Springs supplied to Ceylon, in 1902, were of a higher resisting power than requested.[4] The governor of S. Nigeria, in 1902, becoming so disgruntled that he pronounced inspection to be 'utterly useless and futile, and the fees paid money thrown away'.[5] There was also a certain amount of fraud, at least as regards inspectors' fees. For example, in 1912, it was discovered that the general works inspector for many years had charged the daily expenses fee of 4 guineas, available only where goods were to be inspected 'at any great distance', each time he had worked outside central London.[6] And, in 1901, the Agents strongly suspected that their Naval architect combined CA inspection with private work.[7]

The Agents argued that inspection mistakes were inevitable, given the number and complexity of the goods inspected; the tendency for faults only to become apparent during use; in the case of large orders, the small proportion of articles that it was cost-effective to actually check; and the need to limit inspection of urgent goods to speed supply.[8] They also claimed that defects were often due to bad or unskilful use, with the colonial officer responsible blaming the Agents to avoid censure. In 1905, for example, pipes supplied to Hong Kong were found to have been subject to

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[1] CAA: Memorandum book, 9 June 1901.

[2] *PPE*, q. 659.

[3] CO 96/386/37044, CAs to CO, 21 Oct. 1901.

[4] CO 54/691/728, Gregory to CAs, 31 Dec. 1903.

[5] CO 520/17/50883, CAs to CO, 8 Dec. 1902.

[6] CAOG 12/68, Stanger to CAs, 13 March 1912.

[7] CAOG 10/36, CAs to Reed, 20 Sept. 1901.

[8] CO 520/17/50883, CAs to CO, 8 Dec. 1902; CAR.

inappropriate treatment in the colony, which the CO concluded had then 'tried to throw the blame on the CAs'.[1] Occasionally, however, the Agents accepted that inspectors had acted incompetently, and fined or dismissed the culprits. In 1902, for instance, an inspector, who, on six occasions, had passed defective timber, was forced to refund his fees and was no longer used for such inspection.[2]

Exacerbated by the complaints and perhaps wishing to acquire extra income, the Agents, in 1904, after a move to new accommodation increased available office space, established an engineering inspection department. The section allowed the Agents to more closely monitor the progress of goods; gave them better knowledge of the character and methods of firms; and, as inspectors were salaried and full-time and the Agents therefore accepted financial responsibility for mistakes, ensured better quality inspection.[3] The department consisted of a Chief Inspector and, by 1908, 13 headquarters staff and 27 external inspectors based in ten cities.[4] The external inspectors were recruited largely from the ranks of freelance inspectors, but also from private engineering. From 1904-9, 52% of the inspectors employed had previously worked in an engineering company, with half of those who left from 1904-14 returning to the private sector, a trend that may have led to clashes of interest.[5] By 1913, the department employed 45 inspectors, and, with CO permission, had taken on private inspection work for the Egyptian WO and the Sudan government reserve.[6] In addition, in 1904, a permanent clothing inspector was appointed, and, some time before 1913, paper began to be inspected by the Stationary Office and drugs by the government laboratory.[7]

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[1] CO 129/342/8325, CAs to CO, 5 March 1907; *ibid.*, note 7 March 1907.

[2] CO 520/21/39973, CAs to CO, 30 Oct. 1903. See also CO 96/365/10822, CO to CAs, 17 May 1900.

[3] CO 323/492/2218, CAs to CO, 18 Jan. 1904.

[4] CO 323/548/45364, schedule.

[5] CAA: Record of Inspectors; file 53, 1913 report.

[6] CO 323/608/20037, CAs to CO, 11 June 1913; CAOG 12/109, Mercer to Western, 20 Nov. 1908.

[7] CAOG 16/25, CAs to CO, 15 June 1904; *ibid.*, memo, 29 April 1914. Leather goods continued to be inspected by a freelance inspector until 1927 (CO 323/977/12, CAs to CO, 29 Sept. 1927).

In order to obtain men of 'proved ability and tried integrity' and to increase the cost of dismissal due to poor quality work and fraud, the Agency allowed its freelance inspectors to charge high fees, which varied according to their status and the amount of goods to be inspected.[1] To increase its own income, on taking over engineering and clothing inspection, it continued to charge the freelances' rates, adopting, where inspectors were paid different amounts for the same work, the highest rate charged.[2] Moreover, it permitted those fees that took the form of a percentage value of the work inspected, to be calculated according to the FOB or CIF cost of goods, arguing that the examination of packing formed an important part of the inspection process and that delivery and insurance expenses were often not known.[3] The fees were the subject of much criticism. The CO Clerk J.F. Green, for example, in 1910, stated that they 'are not and never have been justifiable', and, in 1907, commented that the Agents' reduction of motor vehicle charges, in response to criticism, was 'virtually' an admittance of overcharging.[4] Similarly, Lord Lugard, in 1902, accused inspectors of charging 'exorbitantly', and W. Australia, in 1889, believed the cost to be 'extraordinary great'.[5] Although the pre-1904 fees are not available, those introduced in that year do appear to have been relatively high. For instance, the Agency charged 1.5% for the inspection of clothing, as compared to the IO's 0.958%, and for railway materials 1.5% to 2.5%, as opposed to the IO's 1.334% and the S. Punjab Railway Company's 0.5%.[6] The Agents also seem to have made large profits from their duties. From 1905-9, gross profits of between 50% and 68% pa were made on clothing inspection, and between 12% and 42% on the inspection of engineering goods, despite high start up costs, the continued use of CEs to inspect highly remunerative

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[1] CO 18/214/4807, CAs to CO, 4 March 1889; CO 323/492/19809, CAs to CO, 2 June 1904.

[2] CO 323/492/19809, CAs to CO, 2 June 1904.

[3] CO 137/623/45494, CAs to CO, 24 Dec. 1901; CAOG 17/123, Carmichael to Chief Clerk, 15 Nov. 1926. FOB = Freight on Board, CIF = Carriage, Insurance and Freight. In 1926, the Agents accepted that the practice was not justifiable (CAOG 17/123, Carmichael to Chief Clerk, 15 Nov. 1926).

[4] CO 323/564/22512, Green, 9 Sept. 1910; CO 273/332/16717, CAs to CO, 10 May 1907.

[5] SP: mss Afr. s 87, 3, Lugard to Scarborough, 17 Dec. 1902; CO 18/214/4807, CAs to CO, 4 March 1889. See also *BSAEG*, 5 Aug. 1904, p. 33.

[6] CO 323/492/19809, CAs to CO, 2 June 1904; *PP 1896*, xv (Cd 8258), q. 11716, 11726; CO 537/69/436, S. Punjab Railway Co. to URC, 28 Jan. 1901.

bridgework and electrical contracts, and the provision of a variety of services for no fee.[1]

After inspection, those goods examined at the Agents' London packers' warehouse were repacked, along with materials likely to be damaged in transit, military goods, and articles provided by firms for a number of colonies, which had to be split and in some cases then combined with other articles into packages. Packing was undertaken by Messrs Hayter & Hayter, who first worked for the Office in 1871, and, apart from work for China and the British S. Africa Co., depended wholly on the Agents for their livelihood.[2] The firm's remuneration took the form of a fee per package, which, in 1907, averaged 13 shillings, and enabled the firm, from 1902-7, to earn a profit of on average 16% pa.[3] Critics of the CAs questioned the necessity of repacking goods and the size of the fees charged. Although the firm in 1885 adopted a cheaper form of packaging, which reduced some costs by 25%, quality materials continued to be used.[4] There were also numerous complaints of poor packing, and of the company's lack of understanding of Crown colony conditions.[5] On the recommendation of the enquiry, the firm's duties in 1909 were taken over by the Agents, who, much to the consternation of the CO, paid the Hayter brothers compensation in the form of a 'salary' of £1,200.[6] The Agents improved the efficiency of the work, reducing total charges by 5%, and, by 1912, had accumulated profits of £880.[7]

The final four components of CA prices were the fee paid to the shipping agent, the

[1] CAOG 12/40, No. 5; CAA: file 53, reports 1905-9.

[2] CAOG 16/15, CAs to Hayter, 8 Feb. 1871; CAOG 17/125, CAs to CO, 3 April 1909.

[3] CAOG 17/22, Hayter to CAs, 4 Nov. 1908; *ibid.*, Hayter to CAs, 2 Nov. 1908. In the case of goods ordered by the Anglo-French boundary commission in 1907, the cost of packing varied from 2.9% to 5% of value (CO 431/121/1669, p. 12, 14).

[4] CAOG 16/15, Hayter to CAs, 20 Aug. 1885; *ibid.*, CAs to CO, 10 Sept. 1885.

[5] eg. CO 446/41/10789, PWD to High Commissioner, 15 August 1904; CO 152/199/15905, CAs to CO, 6 Sept. 1895.

[6] CO 323/564/25751, CAs to CO, 20 Aug. 1910; *ibid.*, Green, 25 Aug. 1910; *ibid.*, note, 25 Aug. 1910.

[7] CO 323/608/18225, CAs to CO, 28 May 1913.

insurance charge, the cost of shipment, and occasionally a legal charge. The transport of orders to the colonies was arranged by a private firm.[1] The Agency's shipping department merely advised colonies on the despatch of stores, forwarded bills of lading, and administered the insurance of cargoes.[2] The Agents claimed that they lacked the experience necessary to undertake the duties involved themselves, and that the exclusive use of CIF contracts, under which freight was arranged by the suppliers, would increase prices, as contractors lacked the negotiating experience and the economies of scale of a professional shipping agent.[3] The firm employed by the Agents was Messrs J. & R.B. Freelands, whose long relationship with the Agency, and almost total dependence on Crown colony work, increased the cost of its dismissal and thus encouraged it to perform its duties honestly and adequately.[4] There were also personal connections between Freelands and two of the Agents, which increased the social cost of corruption/poor performance. The son of Sir William Sargeaunt, A. St George Sargeaunt, was employed by the company in 1883 as a clerk; became one of the partners in 1888, at the age of 24; and, in 1907, on the death of the firm's founder, John Freeland, became senior partner.[5] Likewise, in 1899, the son of Sir Ernest Blake, Ernest Stephen Blake, after gaining a Cambridge degree and two years experience in a shipbrokers and a merchants office, also joined the company as a clerk, becoming, as a result of a prior agreement between his father and the childless John Freeland, a partner at the age of 28.[6] Although both Sargeaunt and Blake obtained large shares of the firm's profits, neither took an active part in its day to day

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[1] *PPE*, q. 433-6, 2335, 2500-7. The IO, WO and Admiralty also used private firms.

[2] *PPR*, p. xix.

[3] CAR. Smaller articles, however, were occasionally posted to colonies by contractors (*PPE*, q. 4503).

[4] CAOG 17/41, CO to CAs, 9 Aug. 1911; *PPS*, q. 10685. Freelands replaced the Agency's first shipping agent, a Mr W.A. Winkley, in the mid-1870s (CO 323/337/16885, Meade, 5 Dec. 1872). To organise shipments from Liverpool, Freelands, in turn employed a further shipping agent, Messrs Greenshields Cowie & Co. (CAA: M 120).

[5] CO 323/577/34999, CAs to CO, 28 Oct. 1911; *PPE*, q. 4283-4311.

[6] CO 323/577/34999, Blake to CAs, 11 Sept 1911. In 1891, Sir Ernest Blake also employed a parlour maid named Ellen Freeland (Census records, RG 12/548).

operation.[1] Sargeaunt dealt with the company's 'finances', and Blake, who the CO Principal Clerk J. Anderson regarded as 'pretty useless', helped supervise shipments.[2] The majority of work was undertaken by John Freeland and Thomas Holt, a longtime employee, who was made a partner on the announcement of the enquiry.[3]

The fees paid to the company appear to have been relatively high. To avoid suggestions that it had an interest in the cost of the freight obtained, the firm, unlike other shipping agents, was remunerated according to weight, and, in the case of packages, the number of parcels shipped.[4] Although, where large amounts of goods were to be transported to a particular colony, a uniform charge of 6d per ton was adopted.[5] In addition, for the arrangement of passages for colonial officers, the firm received a commission from the shipping companies concerned, which some believed it had no right to retain.[6] The size of the fees paid was the subject of much criticism. In 1901, the URC, on discovering that the company's commission for the arrangement of shipments to Uganda was double that charged by the IO's shipping agent and private Indian and Egyptian railway companies, asked for an explanation of the disparity.[7] The Tanjong Harbour Board, in 1905, complained of fees, which it claimed amounted to 1% of the cost of the goods shipped.[8] While, in 1909, a Parliamentary question drew attention to the fact that, whereas, in 1904/5, the IO paid its shipping agent £4,185 for the transport of £4.5m of stores, the Agents paid Freelands £9,189 for the shipment of £2.1 to £2.5m of goods.[9]

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[1] In 1908, a year before he retired, Sargeaunt obtained 43% of the profits, and Blake 18% (CAOG 17/41, Holt to Antrobus, 14 Oct. 1911).

[2] *PPE*, q. 4511; CO 323/577/34999, CAs to CO, 28 Oct. 1911.

[3] *Ibid.*

[4] CAOG 17/22, Freelands to CAs, 12 Sept. 1908.

[5] *Ibid.*, memo, 24 Sept. 1908.

[6] *PPR*, p. xix; *PPE*, q. 1028.

[7] CO 537/62, CAs to URC, 6 Nov. 1900; *ibid.*, URC to CAs, 17 Dec. 1900.

[8] CAOG 17/22, Board to CAs, 21 Aug. 1907.

[9] CAOG 17/20, question, 13 May 1909.

Freelands denied that they made excessive profits, claiming that, in the case of large shipments, they often charged lower fees than those laid down by the Agency, and that their profits in 1908 amounted only to 30-35% of receipts.[1] Charges were relatively high because Crown colony freights involved a great deal more work than those of the IO and private railway companies. The Agents shipped from many ports to a relatively large number of colonies, each served by its own lines and with its own water/harbour conditions and customs duties, which had to be taken into account when negotiating rates. In addition, the Office transported a great variety of relatively small goods, many delicate or with difficult dimensions, which necessitated the negotiation of special rates and the employment of storage inspectors to ensure that they were correctly stowed.[2] The firm also performed more duties than most other shipping agents. For example, it corresponded with contractors to ascertain the weight and measurement of stores; supervised the arrival and loading of goods to ensure prompt delivery; and settled post-voyage disputes and insurance claims.[3]

In fact, the firm appears to have made relatively large profits; in 1908 between 48% and 70% of receipts.[4] On discovering the enquiry's recommendation for their business to be transferred to the Agents, the company offered to substantially cut its charges, and the Agency, on taking over the work, was able to absorb custom entry charges and 20% of the cost of bills of lading, and abandon its own 1% commission on shipping charges.[5] The amount of work involved in organising Crown colony freights was also not as great as claimed by the company. The decision that most freight should be shipped by conference lines rather than ships chartered by tender, as in the case of the IO, greatly reduced the firm's workload. Similarly, although the company's role was far greater than that of the IO's agents, who merely received tenders for

[1] *PPE*, q. 4392-9; CAOG 17/22, Freelands to CAs, 12 Sept. 1908.

[2] *Ibid.*; *ibid.*, memo, 23 Nov. 1908.

[3] CO 537/62, Freelands to CAs, 9 Oct. 1900.

[4] CAOG 17/41, CAs to CO, 3 April 1909; *ibid.*, Holt to Antrobus, 14 Oct. 1911. On his death, in 1907, John Freeland left £25,357 (SH: Probate records).

[5] CO 323/553/11712, note, 19 May 1909; CO 323/577/34999, CAs to CO, 29 July 1912.

freight, it was not greatly different from that of other shipping agents.[1] The manager of the Bombay Railway Co., when asked by the URC to comment on Freelands' claims, stated that the firm had 'unduly magnified its duties', which were much the same as those performed by his own agents.[2] The committee also pointed out that most Uganda goods were purchased on FOB terms and that contractors automatically supplied weight and measurement statements, and that few Ugandan shipping contracts had ended in disputes.[3] The Agents accepted the firm's fees, probably because its high charges increased their own commission and they wished to increase the cost of dismissal due to poor performance/corruption, and realised that it was necessary to pay the company a premium for its 'vast amount of information and experience of Crown colony shipments'.[4] They may also have had difficulty monitoring the firm's remuneration. In the 1908 enquiry, the deputy head of the shipping branch admitted that his staff did not 'know anything about shipping', and kept no detailed records of the amounts paid to the firm.[5] A more important factor, however, may have been the Agents' personal relationships with the company.

The Agents' connections with Freelands lasted until 1911. In its 1909 report, the committee of enquiry into the Office recommended that, to prevent duplication of work, the firm's duties should be taken over by the Agency.[6] Both the Agents and the company were in contact with suppliers, and it was believed that amalgamation would eliminate much correspondence. The Agents strongly opposed the proposal, claiming that they lacked the requisite office accommodation, and would be unable to obtain the best rates, as they lacked Freeland's experience and expertise, and shipping

[1] *Ibid.*

[2] CO 537/68, Begbie to URC, 12 Nov. 1900.

[3] CO 537/62, URC to CAs, 17 Dec. 1900.

[4] *PPS*, q. 10637.

[5] *PPE*, q. 4587. The head of the department, however, may have known 'something of the technicalities' (*ibid.*).

[6] *PPR*, p. xx.

brokers restricted special terms to 'those in their line of business and no other'.[1] It was also argued that, as a CA shipping department would lack the company's profit motive, the quality of work performed would be lower. Some at the CO, however, suspected more personal motives for the Agents' opposition. J.F. Green, in 1911, for example, noted that the Agents adopted 'with energy and promptitude' those recommendations that led to an increase in emoluments, but 'flatly denied' to take notice of a proposal that would 'disadvantage relations'.[2] Eventually, after much CO pressure, the Agents complied with the enquiry's recommendation, agreeing to employ the whole of Freelands' staff.[3] Although some at the CO believed that the directors of the firm had no claim to compensation, the Agents agreed to pay Sargeaunt £150, John Freeland's sister, who had received a pension from the company, £500, and Blake, who subsequently became a farmer, £1,500.[4] Holt, whose case was 'altogether different from the others, in that he is the one who has really done the work', was given £2,500 and appointed head of the new shipping department.[5]

In theory, Freelands, like the IO shipping agents, chartered ships through open competition.[6] In reality, the company chartered only when large, irregular orders had to be shipped and generally used conference lines.[7] By 1904, for example, the firm collected rebates from ten rings, and had agreed schedules of rates with thirteen others.[8] Where chartering was adopted, the particulars of freight available were advertised only in their own office, rather than, as was the case with other shipping agents, in the Shipping Exchange, and contracts were almost always won by the same

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[1] CAOG 17/22, memo, 23 Nov. 1908.

[2] CO 323/577/3364, Green, 4 Feb. 1911.

[3] CO 323/591/333, CAs to CO, 3 Jan. 1912.

[4] CAOG 17/41, Blake to Antrobus, 11 Sept. 1911; CO 323/577/34999, Anderson, 21 Nov. 1911; *Ibid.*, CAs to CO, 29 Nov. 1911.

[5] *Ibid.*, CAs to CO, 28 Oct. 1911.

[6] *PPS*, p. 380.

[7] CO 323/492/6877, Freelands to CAs, 23 April 1903. All the Uganda railway materials, for instance, were shipped in chartered vessels (*ibid.*).

[8] CO 323/492/10117, Freelands, 3 Feb. 1904.

firms.[1] Critics of the Agents argued that the company's method of engaging freight was unfair, and led to the payment of high rates. In 1903, a complaint by the shipping company Temperley Carter & Burke that they had never been invited to tender for the conveyance of goods to Ceylon, led to a House of Lords motion on the subject.[2]

Freight was engaged in this way, firstly because there was often no competition for cargo. Many routes were served by only one company, and, where this was not the case, the small amounts shipped by the Agents often discouraged firms from bidding for contracts.[3] In addition, chartering/tendering increased Freeland's workload and costs, and the associated adverse selection and low cost of dismissal meant that chartered ships provided a poor service, often damaging or lo~~o~~sing materials, which was particularly disastrous when freights were uninsured.[4] Chartering also led to delays, as the tendering process took time and the small amount of freight shipped meant that cargoes had to be left to accumulate until the chartering of a steamer became cost-effective. On the other hand, conferences offered a regular service, particularly important for passengers, and usually gave the Agents very favourable rates, and, occasionally, allowed them to charter without loss of rebate.[5]

As regards those conferences that charged excessive rates, the Agents argued that the support of lines that wished to break up the monopolies was a futile exercise. The independent line either failed to compete, or, if they captured a significant part of the

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[1] CO 323/492/6877, Freelands to CAs, 30 March 1903.

[2] CO 323/492/6877, Temperley to Grey, 21 March 1903. Freelands pointed out that Temperleys made very few trips to India/Ceylon, often failed to tender when steamers were chartered, and, when they did tender, were outbid (*ibid.*, Freelands to CAs, 23 April 1903). In 1909, the N. Nigerian governor, Sir P. Girouard, negotiated the contract for the shipment of Baro-Kano railway material himself 'afraid that if left to the CAs and their shipping brokers we would not do too well' (RH: L[ugard] P[apers], mss Brit. Emp. s. 63, Girouard to Lugard, 25 Jan. 1908).

[3] CO 323/483/11332, Freelands to CAs, 23 April 1903.

[4] CO 323/492/48717, Freelands to CAs, 30 March 1903; CO 323/492/10117, Freelands' memo, 3 Feb. 1904.

[5] *PPS*, q. 10582. In S. Africa, in 1904, the Agents were charged 16 shillings per ton for the transport of goods to the Transvaal, whereas ordinary merchants paid 25 shillings per ton (*Transvaal Leader*, 22 July 1904, p. 8). Critics argued that such rates were obtained at the expense of merchants, who were charged correspondingly higher rates (*PPS*, q. 10707). Blake denied the accusation, claiming that government shipments were not 'sufficiently large to influence the price', and that the lower rates partly reflected the heavy and bulky nature of Crown colony cargoes, particularly railway materials (*ibid.*, q. 10711).

trade, usually subsequently joined the ring and raised their charges. Shippers who supported such lines thus lost their conference rebates without any real return.[1] The Agents, consequently, generally discouraged the support of independent lines. In 1905, for example, when a German and English company attempted to break the P & O/ British India Co. India/Ceylon conference, the Agents strongly advised the CO to stay with the ring, which doubled and then trebled its rebate and was wholly British.[2] Likewise, in 1904, when the CO wished to support the Houston line in its attempt to compete against the S. African conference, the Agents recommended the continued use of the ring, as private enquiries had discovered that Houston had entered the market with a view to joining the conference.[3]

The exception to this policy of non-involvement was West Africa, where the Agents strongly supported any action to break up the Elder Dempster conference, whose rebate strategy had led the CO to allow colonies to purchase coal and other goods locally, thus depriving the Agents of their purchase commission. In the case of S. Nigeria, the Office also had to bear the cost of organising UK tenders for coal and inspection, for which, until 1913, it received no fee.[4] Moreover, the company's reluctance, unless a large premium was paid, to ship goods to West Africa from London, as opposed to Liverpool, forced the Agents, on occasion, to purchase cement from Germany, which increased their administration and inspection costs.[5] All attempts by the Agency, however, to act against Elder Dempster were blocked by the CO, whose members favoured Sir Alfred Jones, the Chairman of the company, who

[1] CO 323/504/21723, note, 26 June 1905.

[2] *Ibid.*; CO 323/504/21289, CAs to CO, 20 June 1905.

[3] CO 323/492/6877, CA memo, 4 June 1904, Appendix e.

[4] CO 323/577/19715, CAs to CO, 15 June 1911. In 1913, the Colonial Office allowed a charge of 1/4% to be levied (CO 323/608/1522, CO to CAs, 30 Jan. 1913).

[5] CAOG 12/126, CAs to CO, 23 Sept. 1902.

took care to cultivate officials.[1] For example, in 1905, the CO rejected a CA proposal that a meeting of representatives of the West African colonies, the Agency and CO be organised to discuss methods of defeating Elder Dempster.[2] In 1906, it refused to allow the Agents to support an attempt by Messrs Symonds to break up the conference, claiming that their use of the company's ships would merely force Jones to allow Symonds to join the ring, placing them in 'the humiliating position of having been the catspaw of the company'.[3] And a 1907 suggestion that the CO should require Jones to alter his rates and rebate policy and force him to resign as Chairman of the Bank of British West Africa was dismissed as 'too childish for serious consideration'.[4]

The CO preferred more subtle methods of influence. In 1903, Chamberlain promised to 'say a few words next time I see Sir A. Jones', and, in 1907, the Secretary of State agreed to 'make representations'.[5] Few at the CO, however, were confident of the success of such an approach. Antrobus, in 1904, accepted that it would 'take more than a few words, even from Mr Chamberlain, to induce Jones to abandon...the rebate system', and the CO clerk F.G.A. Butler, in 1907, admitted that Jones was not 'likely to be very squeezable'.[6] The Agents totally rejected the strategy, which they argued allowed Jones to 'pose as a great philanthropist and benefactor', but ignored the fact

[1] Jones was a personal friend of Chamberlain and gave generous financial and personal support to the Unionist cause in Lancashire and Wales. In 1903, the West African merchant John Holt wrote 'Jones is off to help Chamberlain at Cardiff. (He) has big things in view if only Chamberlain wins the country. C has made friends of the mammon of unrighteousness' (BLPES: Morel papers, F (8), Holt to Morel, 30 Nov. 1903). Jones was also a friend of Sir Montague Ommanney, giving his daughter, on her marriage, a necklace, muff chain, and silver plated cutlery, and had good relations with Sir Francis Hopwood, arranging, as President of the Cotton Growing Association, a dinner to 'welcome' his appointment as Under Secretary of State (SA: *Barnes and Mortlake Herald*, 18 Nov. 1899; Bodleian: Southborough papers, mss Southborough, box 2, invitation, 9 Oct. 1907). As regards Churchill, Major James Carmichael, the Agency's Head of Engineering, believed that Jones had him 'in his pocket' (SP: mss Afr. s. 96, 12, Kirk to Scarborough, 19 Sept. 1907).

[2] CO 96/434/32224, CAs to C.O, 7 Sept. 1905.

[3] CO 96/449/36668, Butler, 10 Oct. 1906.

[4] CO 96/461/20929, Strachey, 22 June 1907. It was alleged that Jones used the bank to further his shipping interests, only providing traders with loans if they agreed to exclusively use Elder Dempster ships (*PPS*, q. 4407).

[5] CO 147/168/13049, Chamberlain, 21 May 1903; CO 96/466/27209, CAs to C.O, 30 July 1907.

[6] CO 323/492/10117, Antrobus, 26 March 1904; CO 96/461/27209, Butler, no date.

Stores Inspection Department[1]

[redacted]

[redacted]

Sir Alfred Lewis Jones[2]

CA office (Whitehall gardens)[3]

[redacted]

[1] *Crown Colonist*, August 1933, p. 369.

[2] *Davies, The Trade Makers.*

[3] CAA.

that his money had been 'sweated out of the trade of West Africa'.[1] Indeed, Blake's disgust of the CO's stance became so great that, in 1907, when instructed by the shipping ring enquiry to give evidence, he informed the Secretary of State that he would be 'bound to say that I do not agree in several cases with the policy pursued by the CO'.[2]

In addition, to organising shipments, Freelands also dealt with the insurance of freights. From 1899 to 1908, on average, approximately £1.5m, 68% of Crown colony shipments were insured.[3] Since the imperial government had long since dispensed with insurance, which it believed was not cost-effective, the goods of those colonies in receipt of imperial finance were not protected against loss or damage.[4] Other colonies, generally the more affluent, specifically instructed the Agents not to obtain cover, and some, such as the Seychelles, only insured goods over a given value.[5] Insurance cover was provided by the London Assurance Corp., which was exclusively used by the Agents from 1858.[6] Until 1891, each shipment was covered by a separate policy negotiated by Freelands.[7] Thereafter, an open continuous policy operated, the premiums of which were negotiated annually by John Freeland, after independent advice from 'unofficial contacts at Lloyds', presumably his brother Alex Freeland.[8] In return for this service and dealing with claims, Freelands received a proportion of the brokerage.[9] The charges agreed, again appear to have been excessively high. In 1905, it emerged that the rates on shipments to the Transvaal were greater than those

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[1] CO 323/527/15468, Blake to CO, 29 April 1907.

[2] *Ibid.* Green believed that Blake was not 'in a position to criticise the Office publicly', particularly as the CO had recently accepted responsibility for the high CE fees 'though in fact...(the Agents')...advice had invariably been accepted' (*ibid.*, Green, 1 May 1907). After an interview with the Under Secretary, Sir Francis Hopwood, Blake agreed to decline to reply to any questions of policy (*ibid.*, Green, 6 May 1907).

[3] CAOG 11/134, CAs to Seychelles, 4 Oct. 1893.

[4] CO 446/12/15680, CO to Treasury, 30 May 1900.

[5] CAOG 11/134, CAs to Seychelles, 1 Jan. 1894; CAOG 17/7, note, 25 May 1906.

[6] CO 323/492/26361, memo, undated.

[7] CAA: A. Jeffries, *A Short History of the CAs' Insurance Fund* (unpublished, approx. 1960), p. 4.

[8] *Ibid.*, p. 5, 21. SH: Probate records.

[9] CO 323/608/38729, CAs to CO, 8 Nov. 1913.

paid by private merchants.[1] While the insurance expert engaged, in 1912, to advice the Agents on their own insurance scheme, believed that the Office paid 'a good deal too much' to London Assurance, which made a 'handsome profit', amounting from 1899-1908 to 64% of payments.[2] Given their well packed cargoes, use of high class steamers, and the propriety of their principals, the Agents were a low risk and should have been charged lower than average premiums.[3]

The Agents kept no detailed records of premiums and claims, and thus had difficulty monitoring the performance of London Assurance.[4] They were, nevertheless, confident that use of the firm benefitted the colonies. It was claimed that the company offered colonial governments favourable rates, rapidly and liberally settled claims, and that its acceptance of an open policy freed them from the payment of stamp duty.[5] The Agents' loyalty to the company, however, may also have been motivated by self-interest. High brokerage increased the Agents' and also Freelands' commissions. The operation of an open policy greatly reduced their administration costs. And the firm's high standing and its long-term relationship with the Office again increased the cost of corruption/poor performance. In addition, in respectively 1899 and 1900-4, the Senior Agents, Sir Montague Ommanney and Sir Ernest Blake, were, in their private capacities, directors of the company.[6] Blake claimed that the directorships were a source of 'a great many ideas on the operation of the Office', and allowed him to monitor not only London Assurance, but also, through information provided by his fellow directors, the Agency's shippers, railway CEs, and the City institutions who

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[1] CO 291/89/5105, CAs to CO, 14 Feb. 1905.

[2] CAOG 17/42, Owen to Cameron, 8 Nov. 1909; CAA: *Jeffries, A Short*, p. 14. A similar view was expressed by the CA clerk W.E. James, who, in 1904, proposed that the Agency set up its own insurance scheme (CO 323/773/6917, James to CAs, 18 Oct. 1917).

[3] CAOG 17/42, Cameron to CO, 21 Dec. 1909.

[4] *Ibid.*, Cameron to Owen, 2 Nov. 1909.

[5] CO 323/492/26361, memo, undated; CO 291/89/5105, Lucas, 4 March 1905; *ibid.*, Ommanney, 6 Feb. 1905.

[6] Neither the published directors list nor the company's directors' minutes make any mention of their official positions (GL: London Assurance papers, ms 8728, vol. 49 & 50).

purchased Crown colony stock.[1] An argument supported by his and Ommanney's regular attendance of the firm's directors meetings, their decision to sit on its marine sub-committee, and the careers of their fellow directors.[2] Privately, the CO supported the Agents' connections with the company, of which they were, at least unofficially, aware, and which, as the Agents were not civil servants, were not prohibited.[3] However, under pressure from Parliament, the Secretary of State, in 1904, forced Blake to resign.[4]

The Agency's relationship with London Assurance, again, came to an end in 1911, when the Agents, in a further attempt to avoid the implementation of the 1908 enquiry's recommendation for the Office's profits and its Reserve Fund income to be redistributed to the colonies, set up their own insurance scheme. Their original intention was to transfer Office profits and Reserve Fund income to an insurance Fund, which would also receive premium profits and meet all claims.[5] The CO, however, believed that such transfers would merely lead to 'the piling up of the Reserve Fund under a different name' and would 'obstruct the position of both Funds'.[6] The Agents, claiming that, without Office and Reserve Fund income, the scheme would be unable to cover all Crown colony cargoes, insisted that the transfers should be permitted, and, after much discussion, the CO relented, though with the proviso that the money was to be treated as an interest bearing liability.[7] It was also decided that, to reduce the threat of bankruptcy, the risks of the new scheme should be shared with London Assurance at least for the first few years, and that the existing

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[1] *PPE*, q. 4030, 4032.

[2] From his appointment to his resignation, Ommanney attended every Board meeting (GL: London Assurance papers, ms 8728, vol. 49 & 50). Blake was present at 58% of meetings (*ibid.*). In 1901, of Blake's 24 fellow directors, 58% were directors of banks, 46% merchants, and 21% directors of railway companies (*S[tock] E[xchange] O[fficial] I[ntelligence] 1901*; *DD*, 1901).

[3] CO 323/492/26361, memo, undated.

[4] *Hansard*, 4th series, 1904, cxxxviii. 877. Ommanney had resigned in 1900, on becoming Under Secretary of State.

[5] CO 323/564/5727, CAs to CO, 24 Feb. 1910.

[6] *Ibid.*, Harris, 26 March 1910.

[7] *Ibid.*, CO to CAs, 10 May 1910.

scale of charges paid by the colonies should be retained.[1]

Finally, in the case of large engineering contracts, the colonies were charged a small legal fee. The Agents' legal business was undertaken by solicitors, as it was believed that, given the small volume and the variety of the work, a legal department would not be economically viable.[2] Until 1889, the Agency employed three solicitors, but thereafter used only one, Messrs Sutton, Ommanney & Rendel, whose partners included the uncle and brother of Sir Montague Ommanney, and, from respectively 1903 and 1913, his son and nephew.[3] Theoretically, the firm's long-term relationship and family connections with the Agents should have discouraged moral hazard. However, this appears not to have been the case. The CO regarded the company as 'dilatory and its work desultory and unsatisfactory'.[4] Business carried out for the Straits in 1912 was performed 'very indifferently', and the resultant arbitration case was 'practically given away...owing to...mismanagement'.[5] Similarly, although the company performed certain routine tasks for a reduced charge, there was much criticism of its other fees, which the Agents, to avoid delay, usually failed to check.[6] In 1895, Barbados refused to pay a bill that it considered excessive.[7] While the solicitors Messrs Birchalls, asked by the CO to comment on a bill for work completed for the Straits in 1913/4, found the charges to be £40 to £50 too high and warned that 'in the event of it being strictly taxed,...(it) would probably be disallowed'.[8] On two

[1] CAA: *Jeffries, A Short*, p. 26. After loosing the bulk of the CAs' work, London Assurance adopted a 'very hostile attitude towards everything connected to the (new) scheme', and were 'a decided hinderance' (CO 323/773/6917, James to CAs, 13 Jan. 1918).

[2] CAA: M 120. Besides dealing with purchasing matters, the solicitors also drew up colonial loan ordinances and construction and employment contracts, acted for the Agents in any action brought by or against the Agency, recovered money from members/ex-members of the Colonial Service, and provided the Agents and colonies with legal advice.

[3] CAA: MC 77; *Law List*, 1880-1914. The solicitor T.E. Allen's services were dispensed with in 1885, and those of Messrs Bircham & Co. in 1889 (*CO List*, 1880-8).

[4] CO 273/453/16054, Anderson to Fiddes, 20 March 1916.

[5] *Ibid.*; *ibid.*, Fiddes, 8 June 1916.

[6] CO 520/69/11386, Green, 9 April 1908.

[7] CO 28/238/6581, CAs to CO, 16 April 1895.

[8] CO 273/447/7217, CAs to Ommanney, 28 Jan. 1916.

occasions, the firm also appears to have acted dishonestly. A 1913/4 scandal led the Agents to demand the resignation of the partner H.B. Rendel.[1] Earlier, in 1906, after it had been decided that a £200 fee earned by the firm should be paid by the Pearl Fisheries syndicate rather than Ceylon, it was discovered that the company had subsequently, and unbeknown to the CAs or CO, obtained a further payment of £100 from the syndicate.[2] Despite these drawbacks, however, the Agents continued to use the firm exclusively until 'the disappearance of its great protector' - the retirement of Ommanney in 1907.[3] Thereafter, they increasingly began to employ other solicitors, and, by 1923, used Sutton, Ommanney & Rendel only for the recovery of money from colonial officers and with regard to earlier work performed by the firm.[4]

2.4 Delay and the Provision of Unsuitable Goods

Over the period, the Agents were subject to numerous complaints of delay and the supply of unsuitable goods. The 1901 enquiry received 71 specific examples of late delivery from 17 colonies and protectorates, and, in the 1908 enquiry, the ex-governors Sir H.A. Blake, Sir F.A. Swettenham and Sir H.A. Wilson all drew attention to the problem.[5] The delays were not only frequent, but also relatively long. A survey by the Gibraltar government, in 1900, found that the Junior Army & Navy Stores could supply a kitchen range and linoleum from England in respectively 38-40 and 17 days, as compared to the Agents' respectively 80-90 days and 83 days.[6] Likewise, a 1899-91 Jamaican government comparison of the performance of the CAs and the colony's New York agents, found that it took their American agents, after transit time had been subtracted, on average 24-25 days to fulfil an order, whereas it took the CAs 68 days.[7] The effect of the delays was often great. Colonies had occasionally to halt

[1] CAA: MC 77. The relevant file has been destroyed.

[2] CO 54/704/27221, Blake to Lucas, 23 July 1906. There may have been a further scandal in 1901/3 (CAA: weeded files, a85).

[3] CO 323/902/19475, Fiddean, 6 Sept. 1923.

[4] CAOG 17/64, CAs to CO, 26 April 1923.

[5] *Ibid.*, misc. 142; *PPE,* q. 832-5, 980-1, 2387.

[6] CAOG 17/24, misc. 142, no. 2.

[7] *Ibid.*, no. 20.

public works projects for want of materials; if the need became urgent, purchase duplicate articles through merchants at excessive prices; and, if expenditure was thrown into the following year, forgo the acquisition of other goods.[1] In addition, to avoid shortages, they often ordered goods well in advance, leading to overpurchase; built up large stocks of materials and thus suffered deterioration and capital opportunity cost losses; and even organised home production, often on an uneconomic basis.

The Agents blamed delay on a number of factors. Firstly, the need for CO authorization of orders.[2] However, the ruling that orders over £100 had to receive CO approval was abolished in 1889, and the 1891 instruction that all requisitions with no authority, had to be sent to the Secretary of State was never implemented.[3] Instead, owing to a mistake, the Agents only passed orders without authority worth over £100 to the CO.[4] Moreover, in 1904, the Agency was allowed to assume that all expenditure for all requisitions had been granted.[5] The Agents, secondly, blamed delay on the failure of contractors to complete orders on time, which critics of the Office, in turn, argued was related to the Agency's reluctance to fine such companies. All CA contracts contained penalties, which generally took the form of a fixed or percentage fine for every day or week delivery was delayed.[6] The Agents, however, imposed penalties only when suppliers had displayed negligence or bad faith, and then only imposed part of the fine, the size of which, in the case of engineering goods, was determined by a CE.[7] It was believed that fines either discouraged firms from tendering, which led to high prices, or caused them to increase the size of their tenders

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[1] *BSAEG*, Nov. 1906, p. 363; *The Argosy*, 26 Sept. 1906, p. 2.

[2] CAR.

[3] CAOG 12/95, CO to CAs, 20 March 1891.

[4] CO 323/474/1574, CAs to CO, 13 Jan. 1902.

[5] CO 323/492/8389, circular, 26 Feb. 1904.

[6] The fines varied from £5 to £10 per day, £30 to £50 per week, and from 1% to 2% of the value of work in arrears per week (CAOG 19/713, p. 53; CAOG 19/609, p. 7; CAOG 19/721, p. 8; CAOG 19/568; CAOG 19/87; CAOG 19/521).

[7] CAR; CO 537/68, Rendal to CAs, 25 March 1901.

or reduce the quality of their goods in order to offset the possibility of a fine.[1] However, most of the Agents' counterparts, who suffered equally from contractor delay, also failed to impose penalty clauses.[2] Neither the WO, Admiralty or IO fined contractors.[3] And a survey of seven merchants, railway and engineering companies, undertaken by the 1901 WO enquiry, found that the use of the penalty clause in private industry was also rare, with only one company enforcing clauses.[4]

A more important explanation for delay was the CO ruling that, to save costs, orders should be sent by mail rather than telegraph.[5] The instruction not only slowed delivery, but meant that requisitions arrived in large batches from several colonies, which, owing to staff levels, took time to process. The Office's administration of orders was further slowed by colonies' tendency to incorrectly prepare requisitions; send long indents, containing a large number of different articles; subsequently alter their needs; set impractical limits to expenditure; and fail to provide duplicate indents or separate the contents according to the CA departments that handled them.[6] In an attempt to reduce such delays, the Agents, in 1902, distributed a series of explanatory notes on indent preparation, and began to provide colonies with example prices of popular goods, and, from 1904, asked colonial stores to consecutively number articles in requisitions to ease identification and checking.[7] Delay was also caused by the small size of Crown colony orders, partly due to colonial insistence on the purchase of bespoke goods. Contractors tended to give low priority to small orders, and the Agents could only arrange freight for a consignment to a colony when the final order

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[1] CO 137/615/33187, CAs to CO, 11 Oct. 1900; CO 137/615/29265, CAs to CO, 6 Sept. 1900.

[2] *PPWO*, q. 552, 885, 1815.

[3] *Ibid.*, q. 1816, 4357. Most WO contracts contained no penalty clause (*ibid.*, q. 431).

[4] *PP 1901*, xl (Cd 580), Appendix 5/b.

[5] CAR.

[6] CO 446/18/7388, CAs to CO, 26 Feb. 1901; CAOG 12/71, Notes; CO 446/26/8156, Ezechiel, 27 Feb. 1902.

[7] CAOG 12/71, Notes; *ibid.*, CAs to CO, 18 April 1904; CAA: G 844/5.

had been completed, as it was not cost-effective to ship them individually.[1] To rectify the problem, and also to reduce their administration costs, the Agents made great efforts to encourage standardisation. The Office, for example, ensured that it was represented on the engineering standards committees and distributed the resultant recommendations to all colonies; from 1900-3, reduced the number of paper types available by 205; sent colonies a sample book of standard papers; and, in 1908, reduced the number of blue serge patterns available from sixty to nine.[2]

The Agents themselves, however, were also to blame for the delays. Inspection, whether during or after manufacture, and the transport of textiles etc to London for examination, greatly lengthened delivery times. The Agents were also reluctant to remove late delivery offenders from their lists, which they believed discouraged contractors from tendering, or to terminate contracts and buy in default, which, it was argued, merely lengthened delays.[3] Alternatively, the WO, Admiralty and private sector widely adopted both practices, which were regarded as highly effective.[4] In addition, in the case of uninspected non-engineering goods, the Office made no attempt to discover from contractors the progress of works or to urge speed.[5] Similarly, although the freelance/external inspectors supposedly wrote monthly reports on the progress of engineering goods, these often failed to materialise, and, even if they were supplied, the Agents, occasionally, failed to act on them.[6] Only the manufacture of those materials inspected in London was closely followed by the Office.[7] Moreover, although Freelands, a few weeks before the contract deadline, contacted suppliers and obtained accurate delivery dates, in order to book freight, they

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[1] CAA: G 844/5, circular, 11 Aug. 1904.

[2] CO 323/474/21017, CAs to CO, 27 May 1902; CO 323/483/10403, CAs to CO, 19 March 1903; CAOG 12/37, circular, 1 Aug. 1902; CAOG 12/39, circular, Dec. 1908.

[3] Purchase in default occurred only in extreme cases eg. CO 537/62, CAs to URC, 11 Oct. 1900; CO 137/623/23380, CAs to CO, 6 July 1901.

[4] CAR; *PPWO*, q. 1816; *PP 1901*, xl (Cd 580), Appendix 5 (b).

[5] *PPR*, p. xx.

[6] *Ibid.*

[7] *PPE*, q. 4859.

failed, except in the case of urgent orders, to inform the Agents if a deadline would not be met.[1] Until 1907, in what Major James Carmichael, the Head of engineering, acknowledged was a 'rather slipshod method', the Agency only discovered that a firm had failed to deliver when it received Freeland's monthly report on shipments.[2] The Office then sent recalcitrant suppliers reminders, which were issued at the same time each month. In theory, therefore, over a month could pass before a contractor received a first reminder from the Agency. In 1907, the system was improved.[3] The works and general departments automatically checked the order file, respectively 10 and 14 days after the contract deadline had passed, to ascertain whether the bills of lading had been received from Freelands. If not, a reminder was sent that same day to the supplier, who was required to provide reasons for the delay, and, in the case of engineering goods, pass the explanation to the local inspector, who commented on its veracity before sending it onto the Agency. There was still, however, little or no pre-delivery contact with contractors, and much duplication of work between the Agents and Freelands.

There was additionally much criticism throughout the period of the supply of inappropriate goods.[4] The Agents argued that many of the complaints were unwarranted. It was claimed that colonies often requested such articles by mistake; owing to the high staff turnover, materials ordered by one colonial officer were often received by his successor, who had a different view of colonial requirements; and colonial purchasing staff, wishing to use local merchants, often deliberately made false allegations.[5] More likely explanations are the CO's reluctance to require the Agents to reimburse colonies for mistakes; the fact that any compensation was paid from the

[1] *Ibid.*, q. 4853, 4410.

[2] *Ibid.*, q. 4700, 4744, 4266-8.

[3] *Ibid.*, q. 4682-3, 4854.

[4] Such goods were replaced by the Agents, and the original articles, where possible, passed onto other colonies.

[5] CAR; CO 96/385/9930, Reed to CAs, 30 Aug. 1900. In 1904, for example, Ommanney concluded that a Hong Kong complaint regarding the supply of incorrect prison uniforms was motivated by 'a determination to discredit...(the Agents)...and to force supplies into the hands of local merchants' (CO 291/74/3207, CAs to CO, 27 Jan. 1904).

Office Reserve Fund, which 'practically means that all the colonies are fined'; and until 1901, the replacement good commission, which reduced the incentive to ensure accurate purchase.[1] The recruitment of staff with no commercial experience; the increase, from the late 1890s, in 'gross carelessness' due to the greater workload; and the Office's 'discouraged' staff, who, 'brimming over with discontent', were not 'useful to any colony' may also have contributed.[2] In addition, the Agency lacked knowledge of colonial conditions, as there was little geographical specialisation of staff, and, though they claimed the opposite, the Agents rarely met colonial officials on leave in Britain.[3] Similarly, to reduce administration costs, the Agents often failed to refer altered designs and orders back to the colony for approval. In 1904, for instance, they failed to pass a changed design and order for respectively freight cars and a locomotive to Jamaica and Lagos, with the result that, in both cases, the rolling stock purchased proved too heavy for the track.[4] In their defence, they argued that failures to contact colonies in such circumstances were relatively rare, and generally due to a wish to avoid delay, and, occasionally, pressure of work.[5]

Finally, the designs created by the Agents' CEs often led to the manufacture of unsuitable goods.[6] To ensure quality, the Agents employed high status engineers. These, however, often had little interest in the basic design work passed to them; because of their age and establishment status were unwilling to experiment with new technologies; often lacked relevant expertise; and, occasionally, despite their status, were often poorly regarded by their peers. For example, Sir E. Reed, who primarily designed tropical shallow draft steamers for the Agents was actually an expert in deep

[1] CO 885/19/223, vi.

[2] CAA: Memorandum book, vol. 1, 5 Sept. 1900; *Pall Mall Gazette*, 20 Aug. 1904, p. 3.

[3] CO 323/548/45364, Cameron, 29 June 1908; *PPE*, q. 1094. Blake believed that geographical specialisation would limit promotion, and thus reduce staff morale (*PPE*, q. 1100).

[4] *Ibid.*, Mercer, 17 Jan. 1900; CO 137/623/3351, CAs to CO, 26 Jan. 1901.

[5] CO 147/152/14525, CAs to CO, 9 May 1900; CO 137/623/3351, note, no date.

[6] In 1904, for example, a steamer designed by the Agents' Naval architect Sir E. Reed, was so impracticable that the URC demanded that he be dismissed (CAOG 10/36, FO extract, 4 June 1904). See also CO 267/499/12125, CAs to CO, 5 April 1907.

water warships, and, according to an obituary, was 'never...a sound man', favouring 'wild schemes in a very remarkable way' and making 'tremendous mistakes with a light heart'.[1]

[1] CAOG 10/36, *The Engineer*, 2 Dec. 1906.

Chapter Three: The Provision of External Finance

The Agents provided Crown colonies with external finance in four ways. They issued, both publicly and privately, colonial London loans; organised the conversion of issued debentures/stock; provided colonies with overdrafts and short-term loans from colonial UK current account balances, banks, and, from 1900, colonial investment Fund contributions; and, from 1899, administered colonial Treasury loans (Table 1). The Office, in addition, managed loans, arranging their annual interest payments, investing the annual contributions to the associated S[inking] F[unds], organising their repayment, and, in the case of stock, registering transfers of holdings.[1] For the Agents, the successful flotation of loans was of vital importance, as the issue and management commissions provided a large part of their income. The loan proceeds also financed infrastructure construction on which they depended for much of their workload and status, and, if the money raised was not immediately required by the issuing colony, it could be lent to other colonies in need of funds, enabling the colonies to finance UK purchases and construction projects, which again benefitted the Agency.[2] Moreover, an unsuccessful flotation would affect the credit of the issuing colony, forcing it to offer a higher price when it next returned to the market, and lead to colonial criticism that could threaten the survival of the Office. The Agents, consequently, did all they could to ensure that issues were successful.

The Chapter is divided into three Parts. The first discusses the methods adopted to ensure the successful flotation of public loans, the subscription of issues, and the Agents' attempts to minimise broker moral hazard. Part two examines private issues, conversion, the provision of overdrafts and short-term loans, and the help given by the Agency to colonies who wished to raise loans locally. Part three investigates the fees charged by the Agency for its services, and the effectiveness of colonial and CO

[1] In 1907, the Agents managed £33.9m worth of loans, and, in 1913, £46m (CO 323/591/14327; CAOG 16/1, memo, 16 June 1914).

[2] Only 14 (7%) of the staff employed by the Office in 1908 performed work directly related to its financial activities (*PPE*, Appendix 1).

monitoring of its activities.

Table 1: Sources of External Finance 1880-1914[1]

Source	Amount (£m)
Publicly issued loans	48.3
Colonial current account/Fund advances	approx. 30.6
Loan conversions	17.3
Bank advances	9.5
Treasury loans	1.5
Placed loans	1.2

3.1 Publicly Issued Loans

From 1880 to 1914, the Agents publicly issued £48.3m of loans, as compared to £25m during the previous decade when they had acted for self-governing colonies (Appendix 2).[2] The loans were half the size of responsible government issues floated by the BE and the LW (Table 2.1), and largely raised by tender to finance the construction of infrastructure (Table 2.2). Their issue generally ran counter-cyclically to independent area and British Empire flotations, as, during surges of external investment, there was

Table 2.1: Mean Loan Sizes 1883-1912 (£000s)[3]

	Crown colonies	Responsible government colonies	India	Foreign governments
1883-92	0.374	2.471	3.757	5.798
1893-1902	0.409	1.525	3.386	4.781
1903-12	2.074	1.836	3.818	3.351
1883-1912	0.760	1.907	3.680	4.659

[1] See Appendices 2-8. The total for colonial current account/Fund advances was calculated from figures in colonial Blue Books, CA correspondence, and the surviving monthly overdraft/advance schedules, and is almost certainly a gross underestimate.

[2] CAA: M 60a.

[3] GL: Prospectuses; Toshio Suzuki, *Japanese Government Loan Issues on the London Capital Market 1870-1913* (London, 1994), p. 190-6. The BE and LW issued the government loans of the Cape, New South Wales, New Zealand, Queensland, Tasmania, the Transvaal, Victoria, and, from respectively 1892 and 1893, W. Australia and Natal. The mean value of CA loans from 1873-82 was £734,000, reflecting the larger size of the responsible government issues that were then floated by the Agency.

Table 2.2: Purposes of Public Loans 1880-1914[1]

Purpose	Percentage
Railway construction	31
Public works	27
Harbour/dock works	15
Water supply/irrigation	11
Internal finance	6
Redemption/conversion	5
Immigration	4
Military expenses	1

little demand for Crown colony debentures/stock, which offered relatively low yields (Figures 1 and 2). In addition, projects initiated at the height of booms, when funding appeared to be available, only reached the construction stage when the market had fallen.

3.1.i Maximisation of subscription

Since large independent area/British Empire issues led to a scarcity of funds, CA flotations generally occurred in periods of high interest rate (Figure 2). Despite this drawback, the Agents set relatively low yields, and, to offset the tendency of such terms to deter subscription, adopted a number of strategies designed to increase demand, and informally, and from 1900 formally, underwrote issues. Loan terms comprised interest rate, the price of the debentures/stock, and the discount available for payment in full, as opposed to by instalment. Also of importance was the accrued and 'free' interest offered. Accrued interest consisted of the dividends earned before the date of issue, and was determined by the date from which the first six month interest was to be paid. 'Free' interest was the portion of the first six months dividend, which, if payments were made by instalment, would not be fully earned, and was ascertained by the dates on which instalments would be made. In addition, to ensure that instalments were paid on time, most loan documents stipulated an instalment

[1] GL: Prospectuses.

Figure 1: UK Portfolio Investment 1880-1914[1]

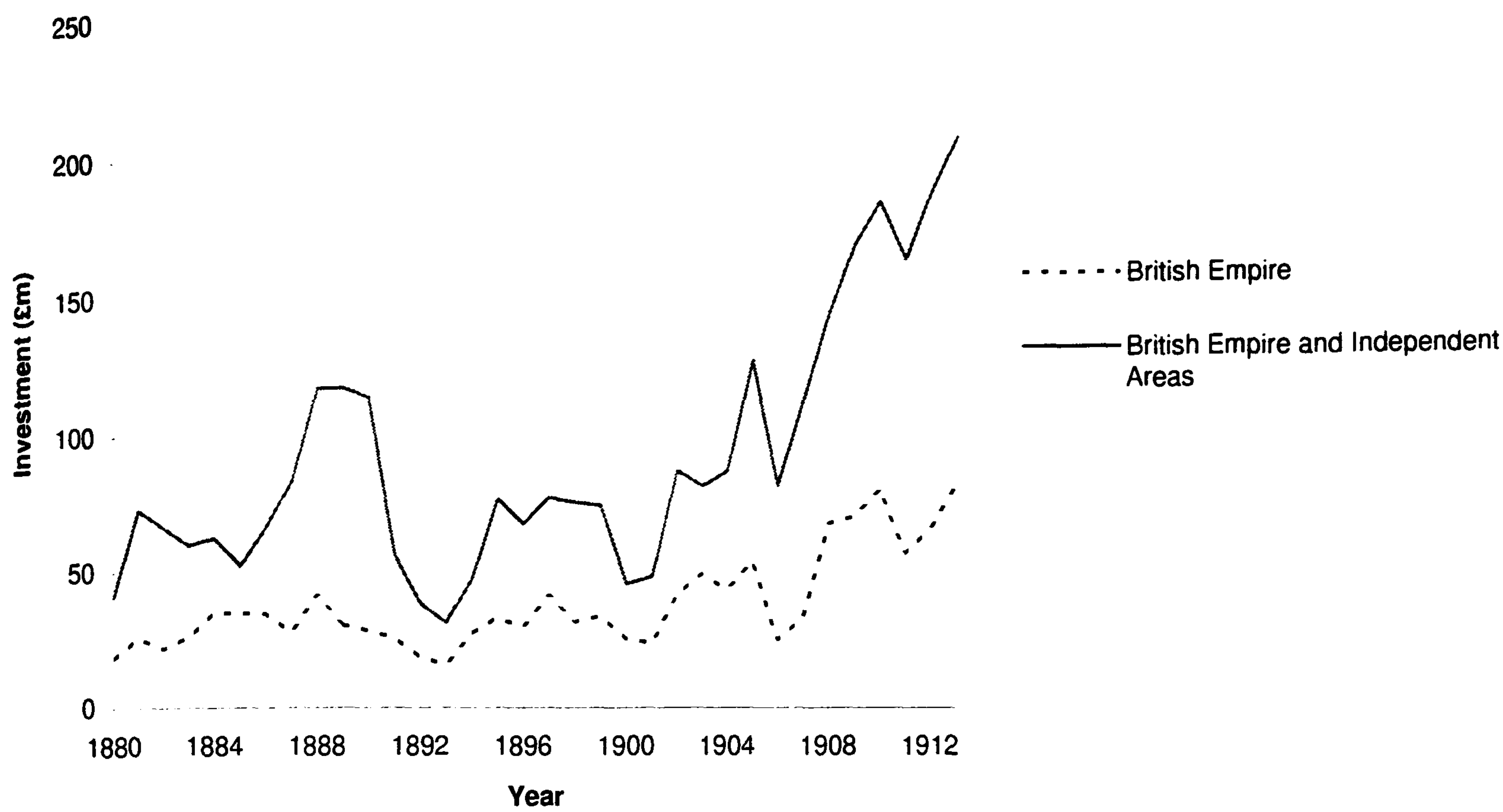
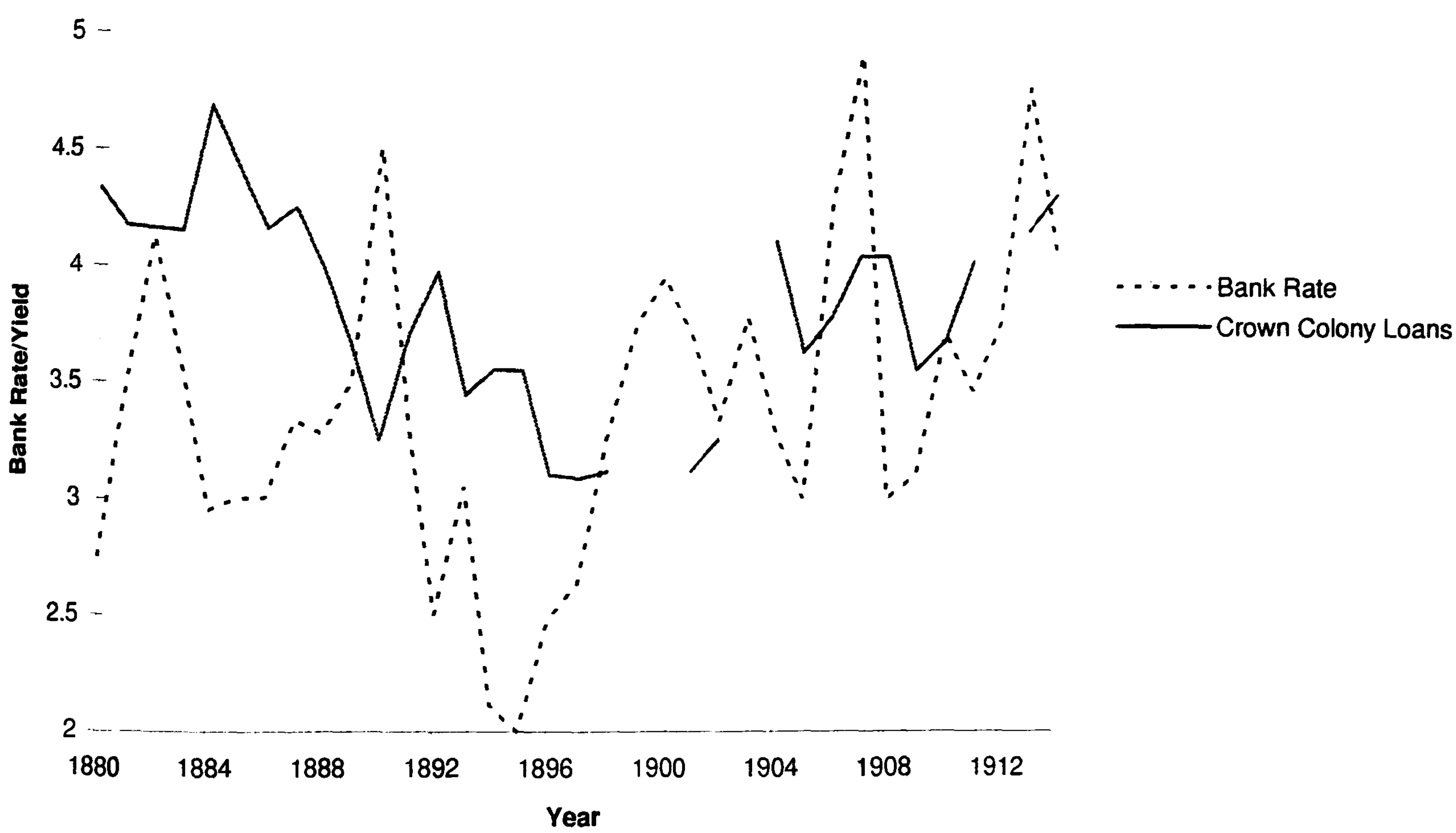


Figure 2: Crown Colony Publicly Issued/Placed Loans and Bank Rate 1880-1914[2]



[1] A.R. Hall (ed.), *The Export of Capital from Britain 1870-1914* (London, 1968), p. 41-2.

[2] See Appendix 2 and 4.

arrears interest charge, which was usually slightly above bank rate. Over the period, the generosity of CA loans, as measured by mean loan yields, which incorporate price, dividend and accrued/'free' interest, moved counter-cyclically to flotations (Figures 2 and 3). Yields tended to be high during periods of low issue and competition from external investment, and low when flotations were rising and there was little competition for funds.

Generally, the Agents set low yields. Excessively high investor returns would have increased the cost of loans to the issuing colonies, and depreciated their credit worthiness and thus reduced future development and the Agents' purchasing workload/income. According to M.J. Mullens, one of the Agents' brokers, in 1908 the terms set were 'as good as those obtained by the self-governing colonies'.[1] This claim is borne out by a comparison of Crown colony yields at issue with those of self-governing colony loans floated by the BE and LW (Table 3.1). Over the period as a whole, Crown colony yields were only 0.13% higher than those of self-governing colonies. More specifically, yields were higher from 1883-92, when relatively few Crown colony loans were issued and the debenture/stock was an unknown quantity,

Table 3.1: Mean Yields at Issue 1883-1912 (%)[2]

	Crown colonies	**Responsible government colonies**	**India**	**Foreign governments**	**Consols**
1883-92	4.12	3.95	3.22	5.47	2.94
1893-1902	3.32	3.38	2.95	4.81	2.68
1903-12	3.85	3.66	3.45	5.0	2.97
1883-1912	3.78 (0.505)	3.65 (0.359)	3.22 (0.307)	5.14 (1.16)	2.86 (0.196)

[1] *PPE*, q. 3715.

[2] Crown colony, responsible government colony and India yields: GL: Prospectuses. Yield = Interest rate / actual price (minimum or fixed price - accrued interest +/- 'free' interest) x 100. For the 1904 Sierra Leone, 1907 Straits, and 1908 and 1911 S. Nigeria debenture loans, which were convertible to lower interest stock, the debenture yield has been calculated. Foreign government loans: *Suzuki, Japanese*, p. 190-6. Yield = interest rate / minimum or fixed price x 100. The yields of 178 loans of 39 foreign governments were calculated. Standard deviations given in parenthesis. Consols: *Mitchell, British*, p. 678. The average CA yield at issue during the 1873-1882 period was 4.979%, a reflection of the low demand for the debentures of New Zealand and the Cape, who were believed to have overborrowed (GL: Prospectuses).

Figure 3: Annual Mean Yields 1880-1914[1]

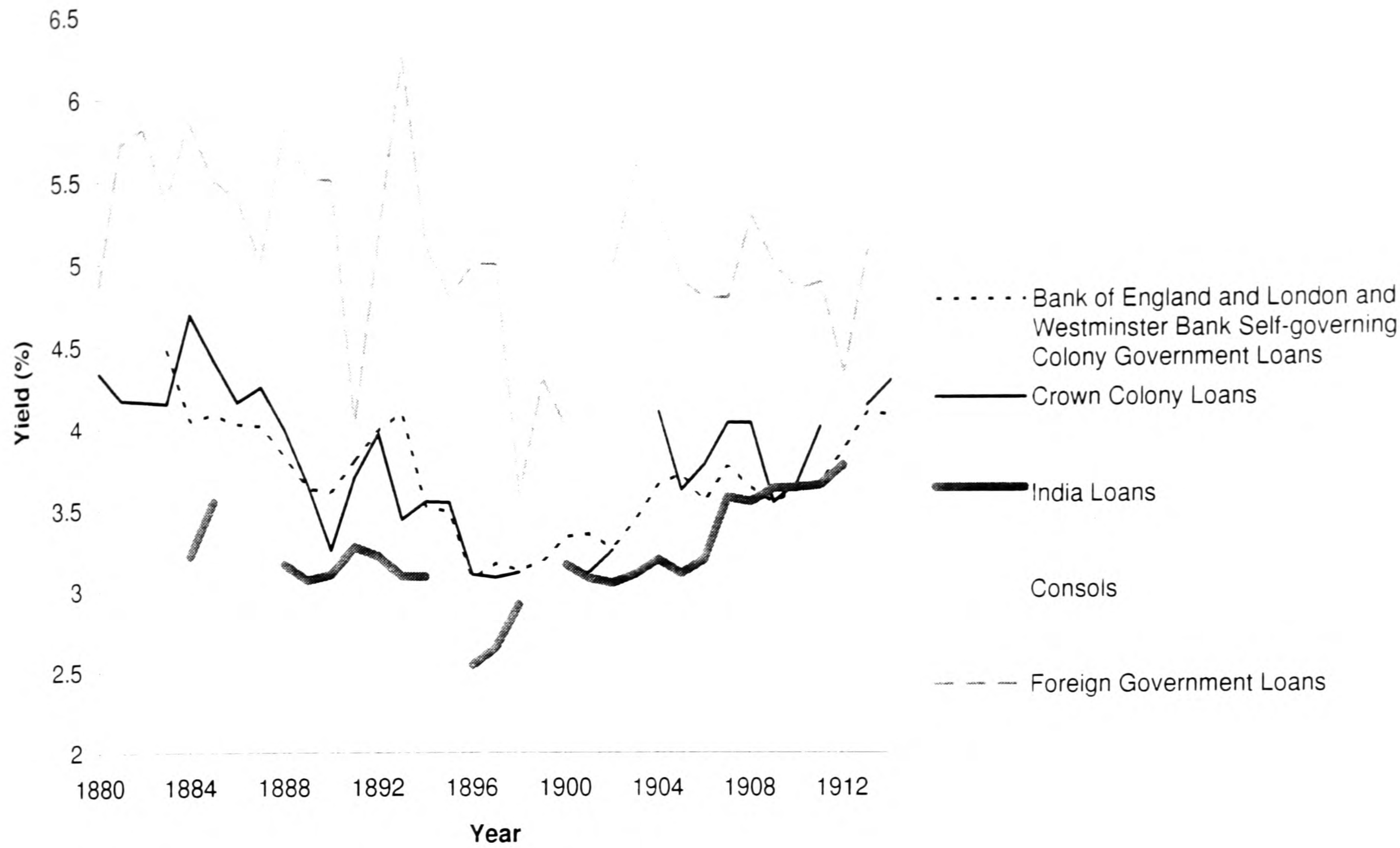
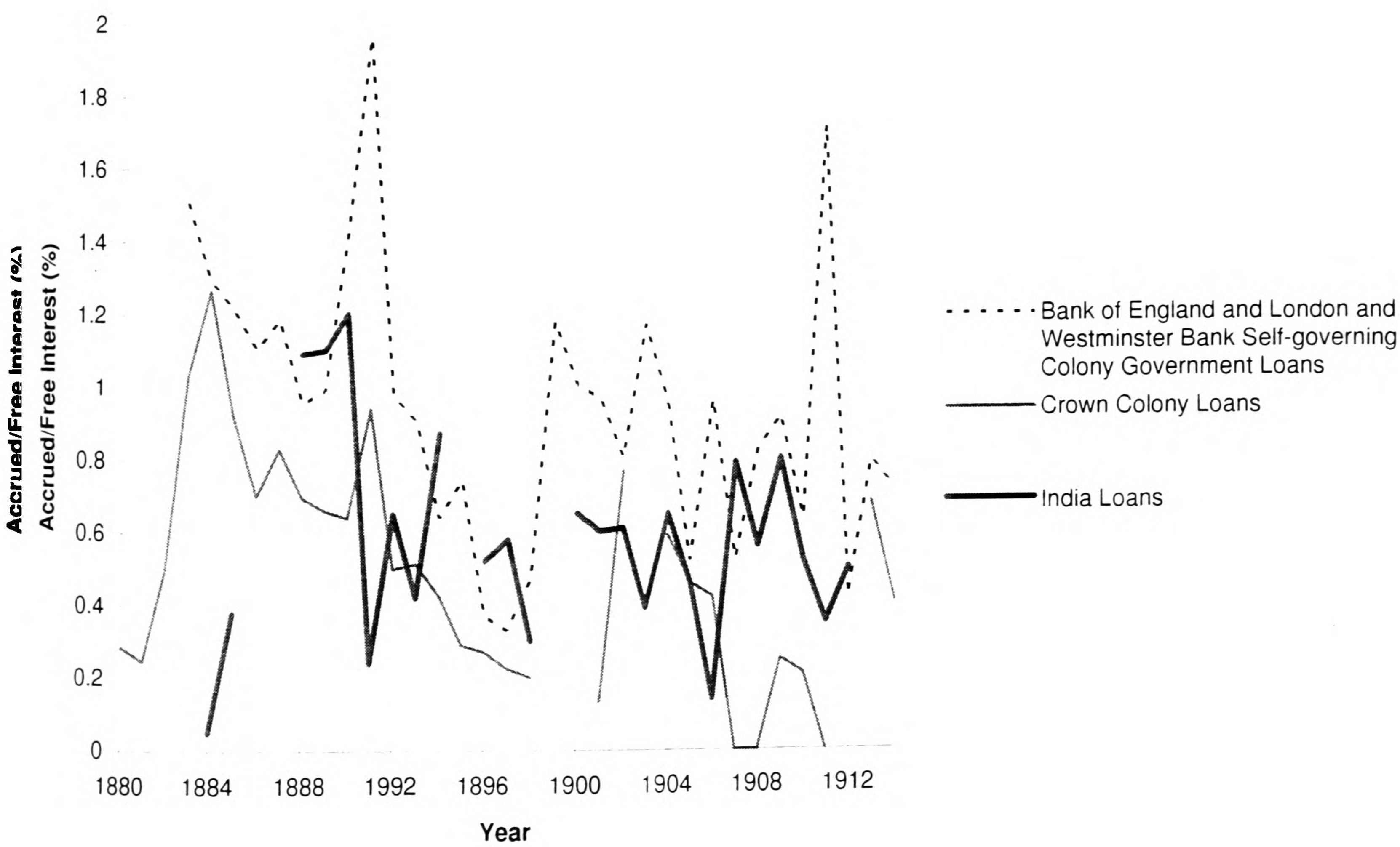


Figure 4: Annual Mean Accrued/'Free' Interest 1880-1914[2]



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[1] GL: Prospectuses.

[2] *Ibid.*

and from 1902-13, when the poor market conditions and the surge in external investment increased competition for investment funds. In the middle period, however, by which time the loans had become more familiar and the absence of capital/interest defaults had assured investors as to their security, yields fell to below those of the independent colonies. Similarly, Crown colony and responsible government realised yields (Table 3.2), the yields actually earned, were also comparable, with the former rising slightly above the latter in 1884 and 1914.

Table 3.2: Mean Realized Yields 1884, 1894, 1904 and 1914 (%)[1]

	1884	1894	1904	1914
Crown colonies	4.85 (0.520)	3.818 (0.376)	3.742 (0.308)	3.963 (0.225)
Responsible government colonies	4.56 (0.578)	3.971 (0.554)	3.81 (0.346)	3.927 (0.222)

Compared to other loans at issue (Table 3.1), Crown colony yields were lower than those of foreign government flotations, which incorporated far greater risk, and higher than those obtainable from Indian loans and consols, which were regarded as relatively safe. As regards the issue yields of individual Crown colonies, they appear to have varied according to the relative wealth of the issuing colony and the amount of debentures/stock floated (Table 3.3). The colonies with the highest yields were either relatively poor and issued little stock, for example the Bahamas and Fiji, who had both floated only one loan, or had relatively large public debts, for example, Natal and the Cape. Alternatively, those colonies with the lowest yields were relatively prosperous and had comparatively moderate public debts eg. British Guiana, Barbados and Ceylon.

Like yields, the amount of accrued/'free' interest offered was negatively related to issues (Figures 2 and 4), and relatively greater returns were offered to purchasers of

[1] *SEOI*, 1885, 1895, 1905, 1915. Standard deviations given in parenthesis.

Yield = Interest rate x 100 / Year's highest quoted price + Years' lowest quoted price /2

Table 3.3: Crown Colony Mean Yields at Issue 1880-1914 (%)[1]

Crown Colony	Mean Yield	Accrued/'Free' Interest
Bahamas	4.66	1.49
Fiji	4.6	0.25
Cape	4.43	0.31
St Lucia	4.3	0.72
Natal	4.21	0.82
Sierra Leone	4.13	0.63
W. Australia	4.09	0.68
Grenada	4.01	0.38
Antigua	3.93	0.46
S. Nigeria	3.89	0.59
Gold Coast	3.89	0.53
Jamaica	3.86	0.30
Straits	3.86	0.21
Trinidad	3.81	0.42
Hong Kong	3.75	0.62
Mauritius	3.66	0.59
Ceylon	3.65	0.63
Barbados	3.55	0.29
British Guiana	3.52	0.36

those loans floated by the poorer and more debt ridden colonies (Table 3.3). The Agents relied far less on such inducements than responsible government issuing houses, probably because a smaller proportion of debenture/stock was purchased by the public, to whom the interest largely appealed (Table 3.4). Also, the slow public absorbtion of Crown colony securities meant that much of the 'free' interest was taken by brokers. Alternatively, Crown colony discount rates were higher than those of the independent colonies (Table 3.5), perhaps reflecting their slightly more urgent need for loan proceeds, due to their relative poverty, and the tendency of some colonies to

[1] GL: Prospectuses. Yield = Total loan yields/number of loans.

raise loans for infrastructure projects only after they had been constructed.

Table 3.4: Mean Accrued/'Free' Interest 1883-1912 (%)[1]

	Crown colonies	Responsible government colonies	India
1883-92	0.818	1.26	0.641
1893-1902	0.353	0.741	0.59
1903-12	0.241	0.893	0.516
1883-1912	0.498	0.964	0.577

Table 3.5: Mean Discounts 1883-1912 (%)[2]

	Crown colonies	Responsible government colonies	India
1883-92	2.95	2.72	2.29
1893-1902	1.68	1.89	1.87
1903-12	2.59	2.44	2.85
1883-1912	2.44	2.33	2.38

To counter the effect of relatively low yields on the demand for loans, the Agents encouraged subscription through the use of prestigious agents, the careful timing of issues, widescale advertisement, and the flotation of loans in a form that was attractive to investors. The Agents employed as their brokers J. & A. Scrimgeour, a firm with a solid reputation in the City, and Mullens Marshall & Co., whose senior partner acted as government broker.[3] It seems likely that Mullens were appointed purely for their prestige value and perhaps to allay Treasury doubts as to the Agents' competence. The majority of the Agency's business was undertaken by Scrimgeours. Although according to M.J. Mullens in 1908, Scrimgeours and Mullens discussed each issue before the former advised the Agents, none of the surviving CA correspondence makes any reference to such discussions.[4] Moreover, Mullens' client lists indicate that the

[1] GL: Prospectuses. CA mean accrued/'free' interest in the 1873-82 period was 0.442% (*ibid.*).

[2] *Ibid.*

[3] David Wainwright, *Government Broker* (London, 1990), p. ix. The firm continued to operate commercially.

[4] *PPE*, q. 3713.

Agents rarely dealt through the firm, which only purchased consols, and, on one occasion, locals and Transvaal 3% stock for the Office.[1] Prestige was also acquired through the use, until 1893, of the BE to receive instalments.[2] At first, the service was performed for no charge, as the Agency kept a large non-interest bearing current account with the Bank. In 1878, however, the Bank requested that it be paid a commission of £500 per million, with a minimum payment of £500, for the service.[3] As the charge would have to be met from their own fees, the Agents rejected the proposal and took over many of the tasks themselves. The cost of the work, though, proved higher than expected, and the service provided was the subject of a number of complaints.[4] The Agents therefore re-entered negotiations with the Bank, who agreed to reduce the minimum payment to £100.

To further ensure high subscription, great care was taken in the timing of issues. Occasionally, a colony was allowed to finance a project itself and the loan raised only after construction had ended or was nearing completion.[5] Investors were thus assured that the project would not be subject to escalating costs, and that the revenues required to meet interest and SF charges would commence soon after issue. Similarly, if, when permission was given to issue, Scrimgeours reported that market conditions were unfavourable, a flotation would be delayed, and the issuing colony financed by CA or bank loans until the market improved.

After the decision to issue had been made, the Senior CA and Scrimgeours rapidly determined the form and terms of the loan, seeking the advice of neither the CO nor the issuing colony. It was argued that discussions with either would lead to delay, which could cause the Office to miss an upturn in demand; the setting of terms

[1] GL: ms 29104.

[2] Cape loan instalments were received by the Standard Bank of British South Africa (GL: Prospectuses).

[3] CO 323/354/11405, CAs to CO, 2 July 1883.

[4] *Ibid.*, CAs to BE, 9 Aug. 1883.

[5] eg. the 1887 Hong Kong and Mauritius loans and the 1889 W. Australian loan (GL: Prospectuses).

unacceptable to the market; and a fall in City confidence in the Office.[1] There was also a danger that the market could discover that an issue was imminent, and attempt, through sales of existing debentures/stock, to influence prices. However, particularly after 1900, the Agents' failure to consult more widely probably led to mistakes, which affected the success of loans. In comparison, the terms and timing of Indian loans were determined by the accountant-general of the IO, representatives of the Secretary of State and Finance committee of the India Council, the governor and other directors of the BE, and the IO's and Bank's brokers.[2] While the date and terms of self-governing colony loans floated by the BE were decided upon by the Agent General of the issuing colony, the governor of the BE, the Chief Cashier or deputy governor, and the Bank's brokers, and the date/terms then telegraphed to the colony for approval.[3]

Issues were advertised widely partly to maximise flotation subscription, but also to increase post-issue demand and prevent prices falling to a discount, which could effect colonial credit and the terms of future issues. In addition, from 1880-6 and 1893-1914, when the Agents' issue commission was inclusive of brokerage, sales through newspaper advertisements rather than brokers minimised brokerage payments and increased earnings. From 1900, underwriters also generally required a certain sum to be spent on publicity.[4] The costs of advertisement, along with other miscellaneous expenses eg. printing, legal charges etc, were paid directly by the issuing colony, and amounted to between £750 for a £500,000 loan and £1,200 for an issue of £1m, comparable to the amounts spent by the BE and LW.[5] Using their press agents, Messrs R.E. White, who had worked for the Office since 1884 and also handled the accounts of the WO, Admiralty and Inland Revenue, the Agents placed advertisements

[1] CAOG 9/36, Antrobus to CO, 23 Dec. 1910.

[2] *PPE*, q. 704.

[3] eg. BE: AC 30/110, NSW to BE, 10 Sept. 1891; AC 30/150, Queensland to BE, 13 April 1897.

[4] CAA: Memorandum on the Procedures Followed in Connection with the Issue of Crown Colony Loans (henceforth Memorandum), 1919, p. 21.

[5] *Ibid.*

in all the major newspapers.[1] The W. Australian loan, for example, was advertised in the *Times* for four days, in four other national newspapers for two days, and once in 15 provincial, Scottish and Irish newspapers.[2] In addition, prospectuses were distributed to the leading banks and brokers, and sole holders of the issuing colony's previous stock and other Crown colony investors, who 'might be interested in the offer'.[3]

The form of the loans issued, that is the type of security used, the provision of a SF and the size of the issue, was again designed to attract investors. In the early 1880s, loans were issued as debentures.[4] These, however, were subject to stamp duty of 1/8% each time they were transferred, could not be disposed off in small broken amounts, and could only be held by trusts if the trust deed specifically authorized their purchase.[5] As bearer securities, they were also liable to theft and misappropriation.[6] Consequently, from 1885 and the W. Australian loan, the Agents began to issue inscribed stock, first made available to colonies by the 1877 Colonial Stocks Act.[7] The use of stock, which had none of the drawbacks of bonds, greatly increased demand. While the extra cost of recording transfers, which involved the establishment of a City office, was met by an increase in the Agents' issue fee. To further encourage take-up, the Agents also began to pay the Inland Revenue, after each flotation, a composition fee of 3/8 %, and, from 1891, 5/8 %, which freed investors from all subsequent transfer stamp duty.[8] The number of transfers from 1900, however, fell,

[1] CAA: file 21.

[2] CAOG 9/21, CAs to White, 17 July 1889.

[3] CAOG 9/94, CAs to Ceylon, 3 March 1910; CAOG 9/14, memo, undated. Joint account stockholders were generally not contacted, as joint decisions to invest were difficult in the limited issue period (CAA: Memorandum, p. 21).

[4] Debentures were securities payable to the bearer, and could thus be passed from hand to hand without signature. Interest was paid by the presentation by holders to the borrower of coupons attached to the bond.

[5] CAA: Memorandum, p. 11.

[6] CAOG 9/76, CAs to Gold Coast, 11 Dec. 1907.

[7] Inscribed stock was so called because the name of the holder was registered or inscribed in the books of the bank or issuing house that managed the loan.

[8] CAOG 9/36, CAs to Inland Revenue, 4 Nov. 1910.

and the Agents therefore began to set up for each loan an invested Stamp Duty Fund, from which the duty for each transfer was paid, with any Fund surplus on redemption being returned to the colony.[1]

In addition, the Agents, throughout the period, campaigned for the right to issue loans guaranteed by the Imperial government, but were blocked by the Treasury, who feared defaults. At the enquiry, M.J. Mullens claimed that an Imperial guarantee would enable interest rates to be reduced by 1/2%, though, given that most purchasers assumed, probably correctly, that the government would never allow a colony to default on its debts, this seems an overestimation.[2] To compensate, a number of governors proposed that colonies should guarantee each others' loans, or that municipalities should issue stock guaranteed by colonial governments.[3] The Agents rejected both proposals, pointing out that colonial guarantees would reduce City confidence and demand, and that municipal loans would be unacceptable to trusts.[4]

Unlike Indian and self-governing colony loans, each Crown colony issue had a SF, the contents of which were used for the redemption of its stock.[5] For the Agents, such Funds were a source of income, as they received a half-brokerage fee each time they bought or sold Fund investments. It was also claimed that Funds, by minimising the risk of non-repayment, attracted subscribers and increased the likelihood that a loan would be a success and sold at a premium. Many in the City, however, disputed this point, arguing that the opportunity cost of the capital held far outweighed any price advantage gained.[6] Funds were accumulated through annual contributions of 1% of

[1] *Ibid.*

[2] *PPE*, q. 3745.

[3] CAOG 9/80, Anderson to Elgin, 3 Oct. 1906; CAOG 9/94, CAs to CO, 20 March 1908.

[4] *Ibid.*; CAOG 9/80, CAs to CO, 18 Oct. 1906.

[5] The only two exceptions were the 1889 and 1891 Natal loans (GL: Prospectuses).

[6] Andrew Porter, 'Britain, the Cape Colony and Natal 1870-1914', *Economic History Review*, 34 (1981), p. 565.

the loan value made by the issuing government and the investment of Fund capital.[1] If an issue produced a surplus, the Agents also occasionally placed all or a proportion of the excess proceeds in the Fund.[2] In the 1880s, they were used to annually or periodically buy back a certain number of bonds, either on the market when prices were low, or, more usually, from investors.[3] In the latter case, the bonds to be repaid were chosen by a draw, and the investors paid the par value plus any interest due.[4] However, although such purchases enhanced the credit of the issuing colony, they were disliked by both the Agents and colonies. The organisation involved increased the Agency's costs and reduced its loan management revenue. Colonies had to meet the expense of a notary to monitor the draw, and, since bonds were not registered, pay for advertisements that listed the debentures to be repaid.[5] It also became clear that potential investors were deterred by such repayments, as the amounts repaid were usually small and the costs of reinvestment therefore high, and repayment was often made at a time when reinvestment was not profitable. Furthermore, if holders, whose bonds were drawn, missed the announcement and failed to return them to the Agents for repayment, they ran the risk of losing up to half-a-years dividend.[6] Consequently, in the early 1890s, with the introduction of inscribed stock, SFs were allowed to accumulate, the contents invested by the Agents, and used to buy back stock at the end of a loan's life.[7]

The use of accumulated Funds allowed the Agents, on issue, to set loan repayment

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[1] Placed loans occasionally had 2% SFs, and the 1901 Zanzibar loan had a 2 1/3% Fund (CAOG 9/122, CAs to FO, 20 Sept. 1901).

[2] eg. CO 28/238/5423, CAs to Col. Sec., 26 March 1895; CAOG 9/50, CAs to CO, 27 April 1895.

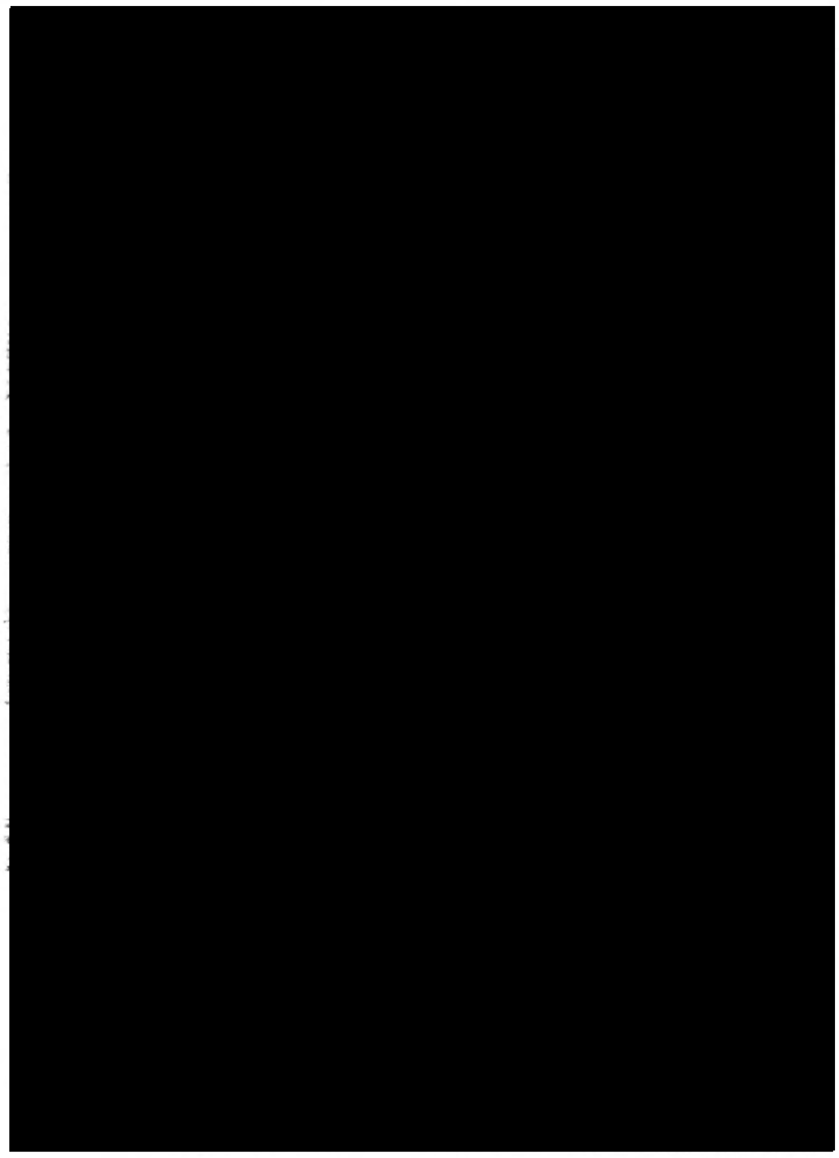
[3] Such Funds were known as, respectively purchase and drawing Funds.

[4] CAOG 9/1, CAs to CO, 21 Nov. 1883.

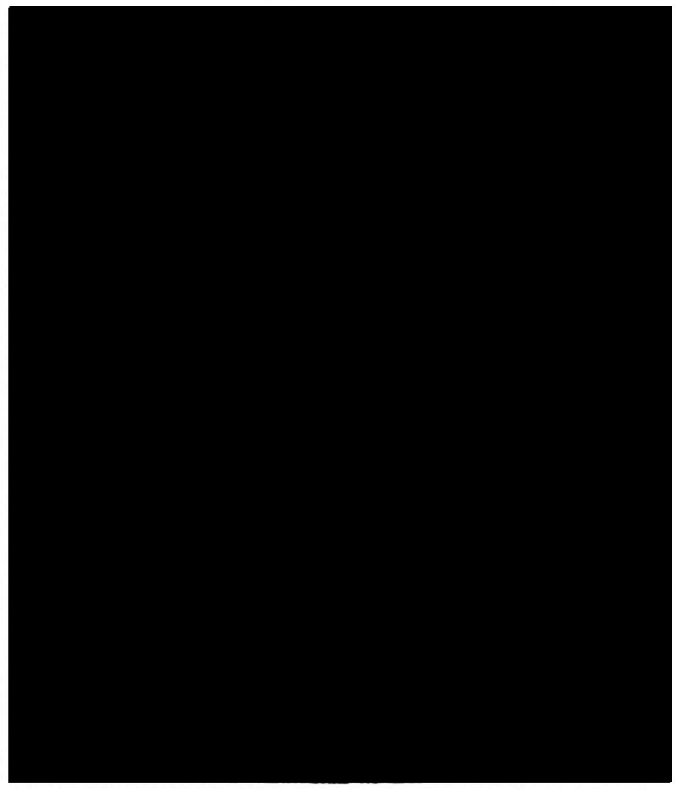
[5] The notary costs of the first, second and third drawings of the 1887 Mauritius loan were respectively £5/5/-, £4/4/- and £3/13/6, and the advertisement expenses respectively £2, £2/5/4 and £2/10/- (CAOG 9/9, drawings, 17 July 1891, 18 July 1895, 9 July 1903).

[6] CAA: Memorandum, p. 11.

[7] Such Funds were known as accumulated SFs.

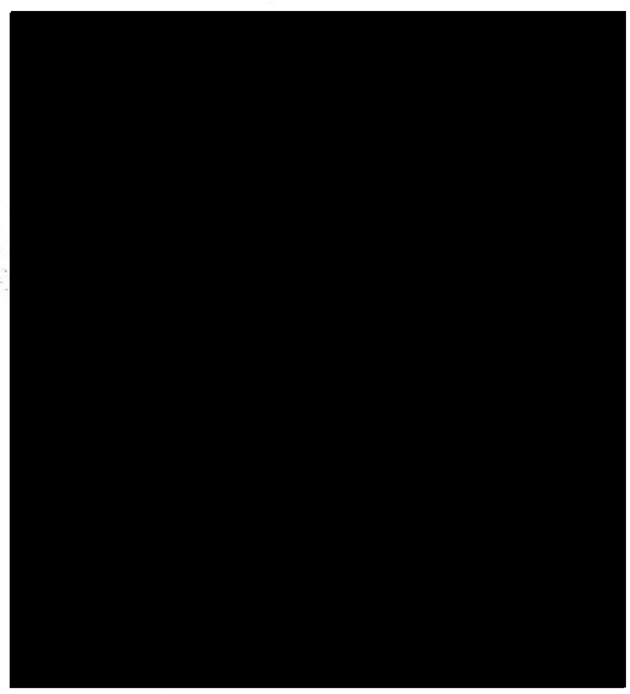


H. Panmure Gordon, J. & A. Scrimgeour Partner, 1865-1876[1]



John Henry Daniell of Mullens Marshall, Government Broker, 1869-1893[2]

John Ashley Mullens of Mullens Marshall, Government broker 1859-91[3]



Henry Daniell of Mullens Marshall, Government broker 1894-1921[4]

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[1] B.H.D. MacDermot, *Panmure Gordon and Co.* (London, 1976, for private circulation).

[2] *Wainwright, Government Broker.*

[3] *Ibid.*

[4] *Ibid.*

dates, which again increased the attractiveness of stock.[1] Issues generally had a lifespan of 50 years, though the Agents usually retained the power to redeem, on six to twelve months notice, after 20 to 30 years, which enabled them to take advantage of any improvement in a colony's credit and convert a loan into a lower interest-bearing stock.[2] A lengthy currency was essential, as trusts, a large purchaser of colonial stock, had a minimum duration of 30 years, and, because of the legal costs involved, were reluctant to disturb their original investments.[3] A fifty year lifespan was chosen because government contributions usually commenced three years after issue, when the works financed by the loan were remunerative, and it was calculated that a Fund, receiving contributions of 1% pa, could, with an estimated capital return of 3% pa, provide the necessary sum for repayment in 47 years.[4] The fall in the yields of the securities in which the Agents were authorised to invest, in the late 1890s, however, caused the Office, in 1898, to extend lifespans to sixty years.[5] On the redemption of a loan, the SF was sold off and the proceeds used to buy back the stock. Where the SF investments had been highly profitable, there was often a surplus, as, although the Agents could halt government contributions when a Fund reached a level sufficient for repayment, the loan ordinance generally prevented any part of the contents being released before redemption.[6] When this occurred, the balance was generally transferred to the colony's current account, and, occasionally, to the SFs of other loans.[7] Conversely, shortfalls were met by a further issue, grants-in-aid, or advances from other colonial Funds or banks.[8]

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[1] The governor of the BE believed that the lack of fixed redemption dates was one of the main causes of the post-1900 fall in Indian loan prices (*PP 1914*, xix (Cd 7069), q. 3371).

[2] CO 28/238/5423, CAs to Col. Sec., 26 March 1895.

[3] *Ibid.*

[4] CAA: Memorandum, p. 12.

[5] CAOG 9/86, CAs to CO, 7 Jan. 1898.

[6] CO 137/615/5176, CAs to CO, 16 Feb. 1900; CO 323/492/42933, W. Australia to CAs, 28 March 1903.

[7] eg. *Ibid.*, Ommanney, 11 Jan. 1905; CO 323/400/22269, CAs to CO, 12 Dec. 1895.

[8] eg. CAOG 9/1, CAs to CO, 21 Nov. 1883; CAOG 9/9, CAs to Mauritius, 22 March 1888; CO 323/453/29893, Robinson, 21 Sept. 1900; CAOG 9/71, CAs to CO, 21 Aug. 1899.

Finally, demand was increased by the issue of loans that were large and identical to previous issues. Large loans attracted more publicity than smaller issues, and, by including the whole of a colony's financial requirements in one flotation, the market could be assured that future borrowings were unlikely.[1] In addition, investor transaction costs were lower, and the stock was more marketable and purchases therefore immediately realisable and prices more likely to rise rapidly and to an appreciable extent. The Agents also, if possible, issued loans that were identical as regards interest rate and dividend/repayment dates to existing listed stock.[2] The practice encouraged holders of previous loans to tender, as the stock was familiar and whole holdings of old and new stock could be sold relatively cheaply under one transfer deed. The size of the resultant block of stock, again, led to 'a freer market...in buying and selling', with all the attendant advantages.[3] Furthermore, for the colony, the single SF, if a drawing SF was adopted, reduced costs. While the use of the same dividend payment dates, the ease with which transfers of stock could be registered, and the one SF minimised the Agents' management expenses. The practice, however, was only adopted where the existing stock had been in existence a short time, as the SFs of older loans were incapable, owing to their short remaining lifespans, of generating the necessary sums for repayment. The only exception was the 1906 Hong Kong loan, which, to reduce the colony's interest costs, the Agents made identical to a loan issued twelve years previously and available for redemption in 1918.[4]

3.1.ii Subscription and the avoidance of broker moral hazard

Despite the Agents' best efforts, the number of applications for debentures/stock was generally small, averaging in the case of loans for which details are available, 125, as compared to 675 per issue for the slightly larger loans floated by the LW for the self-governing colonies. The number of successful applications per loan was even lower, averaging, for the 29 issues for which allotment schedules survive (Appendix 3), only

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[1] CAOG 9/94, CAs to CO, 24 Jan. 1905.

[2] The BE and LW also issued such stock (CO 137/552/2931, CAs to CO, 12 Feb. 1892).

[3] CAA: Memorandum, p. 17.

[4] CAOG 9/25, Blake to Nathan, 9 Feb. 1906. The CO had 'doubts as to the propriety and expediency' of the issue, but nevertheless gave its authorization (*ibid.*, CO to CAs, 7 Feb. 1906).

63. Public subscription/allotment was also poor. Only 33% of the successful applications for the 29 loans with surviving schedules came from non-brokers/financial institutions, who generally bought only small amounts of stock (Table 4.1).[1] Most private investors only made purchases from time to time, when their financial means allowed. Also, the risks of tendering were high. Unsuccessful tenders involved a financial/effort opportunity cost, and successful applications could result in the purchase of stock at excessive prices.

Table 4.1: Non-Broker/Financial Institution Purchases of those Loans with Surviving Allotment Schedules[2]

Amount Purchased (£)	**Percentage**
100	18.5
200-400	29.5
500	19
600-1,000	20
1,100-5,000	11
Over 5,000	2

According to Sir Ernest Blake, a large number of private applicants were 'small people and clerks,...who form the fringe of the stock exchange and City business', and 'rush in vast numbers of subscriptions of small amounts, in respect of which, they hope to get allotments, which they at once sell to capture the premium'.[3] A study of the surviving schedules suggests that many of the private investors indeed made applications for each loan, presumably intending to stag rather than to buy to hold. A William Chapman and Albert Gearing, for example, obtained allotments in six loans and a Miss Anne Gilbert received allotments in three issues. Amongst this number were members of the CAs' and Scrimgeours' staff, who purchased generally £100 blocks of stock, occasionally at the lowest price. For example, Louis Adams, the Chief Cashier, took part in at least four flotations; E. G. Antrobus, the Chief Clerk and

[1] 13% percent of allottees were women and 2% clergymen.

[2] See Appendix 3. *M[embers] of the S[tock] E[xchange]*, 1888-1906.

[3] CAOG 9/25, Blake to Hong Kong, 23 Feb. 1906.

Accountant, and Samuel Stephens, the Assistant Head of Shipping, each participated in at least two; and William Hodgson, the Head of the Correspondence Branch, and Horace Martin, Head of Appointments, in one.[1] There were no Office rules preventing such purchases, which, by increasing the cost of dismissal, again helped to ensure good performance/honesty.

Apart from the BE and LW, there were few successful applications from banks and insurance companies.[2] Of the banks, the Birbeck Bank obtained respectively £25,000 and £5,000 of the 1882 and 1886 Natal loans, and the Royal Bank of Scotland and the London and Yorkshire Bank respectively £50,000 and £15,000 of the 1894 Ceylon and 1884 Natal issues.[3] Among the insurance companies, the Scottish Provident Institution acquired £5,000 of the 1905 Mauritius loan, and the Law Union and Crown Fire and Life Insurance Co. £25,000 of the 1883 Natal issue.[4] Only two non-financial companies/institutions bought debentures/stock: the Transvaal Estate and Development Co. purchased £4,000 of the Natal 1892 loan, and the Post Office Employees Association £1,000 of the 1889 Natal issue.[5]

The majority of applicants were brokers, who specialised in colonial issues and purchased large blocks of debentures/stock. The surviving allotment schedules indicate that seven firms purchased stock in at least 24% of the loans (Table 4.2). While nine firms were one of the three largest purchasers in at least 10% of the issues (Table 4.3); the three largest purchasers obtaining 90% plus of the stock in fifteen of the flotations, 70% to 89% of a further seven, and 30% to 69% of the remaining seven (Appendix 3). Some of the brokers had buyers for the stock purchased, but others

[1] W. A[ustralian] S[tate] A[rchives]: ACC 527/1326; ACC 527/2834; N[ational] A[rchives] of N[atal]: NT 164/1824; CAOG 9/120; CAOG 9/4; CAOG 9/7; CAOG 9/65; CAOG 9/11. Curtis Francis and Alexander Thomson, clerks at Scrimgeours, invested in two loans each (*ibid*; CAOG 9/14; CAOG 9/10; NAN: NT 164/1824).

[2] Bank and insurance companies accounted for only 0.7% of successful allottees.

[3] CAOG 9/10; CAOG 9/4; NAN: NT 164/1824/1884.

[4] CAOG 9/77; NAN: NT 164/5529/1893.

[5] CAOG 9/4; NAN: NT 164/3944/1889.

Table 4.2: Broker Purchasers of those Loans with Surviving Allotment Schedules[1]

Broker	**Percentage of Loans in which Stock was Bought**
J. & A. Scrimgeour	83
Linton Clarke	34
Sheppards Pelly	28
W.P. Neville Horley	28
Ellis & Co.	24
David Lionel Thomson & Sons	24
Vigne & Sons	24

Table 4.3: Largest Buyers of Stock of those Loans with Surviving Allotment Schedules[2]

Broker	**Percentage of Loans in which Broker is One of the Three Largest Purchasers**
J. & A. Scrimgeour	76
Brunton Bourke	17
Ellis & Co.	17
Sheppards Pelly	17
Mullens Marshall	14
Westgarth	14
Linton Clarke	10
W. P. Neville Horley	10
Aubrey Brown & Hopkins	10

bought speculatively, intending to sell their allotments onto the public in the fullness of time. The brokers' clients, according to an analysis of the British Guiana (Demerara railways) 4% loan stock register, were largely well-to-do gentlemen or professionals living in London or the home counties (Table 4.4). A large proportion of broker stock/debentures was also purchased by the Agents for colonial investment Funds,

[1] See Appendix 3.

[2] *Ibid.*

Table 4.4: Retail Purchasers of British Guiana (Demerara railway) 4% Stock[1]

Characteristics		**Percentage of Holders**
Sex	Male	72
	Female	28
Place of abode	London, SE and Midlands	83
	North, Scotland & Ireland	15.5
	Overseas	1.5
Occupation	None given	31
	Spinster	13
	Gentleman	10
	Law and church	9
	Widow	8
	Married women	7
	Finance and medical	7
	Armed Forces	6.5
	Miscellaneous	8.5

with, by 1913, colonial Funds holding £7.8m, 22% of all the inscribed stock issued by the Agency.[2]

Until the 1890s, the majority of Crown colony loans appear to have been informally underwritten by the Agents' own brokers J. & R. Scrimgeours, who tendered for large blocks of debentures/stock at just above the minimum price. Of the 17 schedule loans not officially underwritten, in which they were one of the three largest purchasers, Scrimgeours bought 13 issues, and between 23% and 90% of the debentures/stock of another three, at the lowest price.[3] Scrimgeours' activities were financed by Barings, from whom they borrowed sums of up to £350,000, the BE, and the IO, which lent

[1] CAA: British Guiana (Demerara Railway) 4% Loan Stock Register. Miscellaneous occupations include wool comber, school master, surveyor, engineer, polish manufacturer, dairyman, artist, and brewer.

[2] CAOG 9/44, memo, 1925, p. 7.

[3] Scrimgeours also occasionally organised the underwriting of non-Crown colony fixed price loans. The firm, for example, led the syndicate that supported the 1872 Japanese loan, for which it received a commission of 2 1/2% for distribution among the syndicate members (*Suzuki, Japanese*, p. 62).

companies on its surplus funds borrowers list a minimum of £50,000 for three to five, and occasionally, six weeks.[1] Nevertheless, the firm was unable to support all loans, and was probably unwilling to bear the whole of the risk of the larger issues alone. In a number of flotations, it therefore appears to have shared underwriting with other firms, and, occasionally, allowed other companies to take over its role completely. For example, the support of the 1883 and 1888 Ceylon and Natal issues appears to have been shared with Westgarths, and the 1881 Fiji and 1887 St Lucia loans underwritten wholly by respectively Sheppards Pelly and Brunton Bourke.

In the early 1880s, the BE and LW also supported loans (Table 5).[2] The Agents had large accounts with both banks, which no doubt encouraged them to respond to requests for aid, and the former Senior CA Sir Penrose Julyan was a member of the LW directors committee that determined bank investments.[3] The loans were purchased

Table 5: LW and BE Purchases 1880-1900[4]

Year	Loan/Size (£)	Bank	Amount Purchased (£)
1880	Ceylon 700,000	LW	99,900
1881	Ceylon 575,000	LW	319,900
	Ceylon 575,000	BE	100,000
	Trinidad 100,000	BE	100,000
1882	Trinidad 100,000	BE	100,000
	Jamaica 509,000	BE	300,000
1894	Ceylon 500,000	BE	125,000

[1] Baring Brothers: 101820-1; *PP 1914*, xx (Cd 7071), p. 309. Before founding their own firm, J.S. and R.S. Scrimgeour had been employed by Barings (R.W. Munro and Jean Munro, *The Scrimgeours and their Chiefs* (Edinburgh, 1980), p. 123). From 1889-91, Barings lent Scrimgeours a total of £2.2m (Barings Brothers: 101820-1).

[2] The BE also purchased Crown colony debentures in the 1870s, obtaining, from 1870-9, £796,300 of bonds issued by Jamaica, Ceylon, Mauritius, the Cape, the Straits, and New Zealand (BE: ADM 7/48/874; ADM 7/48/895; ADM 7/48/796; ADM 7/48/838; ADM 7/48/797; ADM 7/48/791; ADM 7/48/808; ADM 7/52/1070).

[3] N[ational] W[estminster] Bank: 12909/116. Scrimgeours also had a BE account (GL: ms 17957, vol. 187).

[4] NW: 12908/441; 12909/117. BE: ADM 7/52/1071; ADM 7/52/1074; ADM 7/52/1075; ADM 7/54/914.

for the banks' official reserves, and generally held for long periods.[1] In the case of the BE, the prices paid were often high. The Agents, for example, believed that, if the Bank had not taken the 1881 Trinidad loan, which it bought for 101/15/-, the average price obtained would have been only 100/3/4.[2] Similarly, the Bank's price, 101/1/-, for the 1882 Trinidad loan, which had a minimum price of 98, was thought to be 'very satisfactory'.[3] The BE also appears to have supported the price of loans after issue. For example, four months after the flotation of the 1880 Ceylon loan, the Bank purchased £60,000 of the bonds from Cazenove & Co.; from December to just before the colony's next issue, bought, in five purchases, a further £255,000; and six months after the issue purchased £48,000, followed by £5,000 four months later.[4] Likewise, eight and nine months after the 1881 Jamaican loan was issued and two and one month before the colony's next issue, the Bank purchased respectively £46,500 and £47,500 of Jamaican debentures, and, in the month following the 1882 Trinidad issue, bought, in two purchases, £83,000 of bonds.[5]

In the case of the small number of issues that were undersubscribed, the loans appear not to have been underwritten, or to have been the victim of a collapse of the support arrangement. However, when this occurred, Scrimgeours, and, on one occasion, Mullens Marshall, generally organised a rescue operation. The only time that this did not occur was in 1890, when the balance of the 1890 Ceylon loan had to be sold privately in small blocks over the following two years.[6] The unsold balances of the 1885 W. Australian and 1898 British Guiana loans and £71,500 of the balance of the 1883 W. Australian issue were purchased, immediately after the issues closed, by

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[1] For example, the BE held the Ceylon and Jamaican stock until 1888 (BE: ADM 7/52/1075; ADM 7/52/1071).

[2] CO 295/292/12578, CAs to CO, 14 July 1881.

[3] CO 295/295/8016, CAs to CO, 4 May 1882.

[4] BE: ADM 7/52/1071.

[5] BE: ADM 7/52/1075; ADM 7/52/1072.

[6] It seems likely that the brokers were unwilling to take the stock because of the collapse in public demand following the Baring crisis. The underwriting arrangements of the 1890 Queensland loan also broke down (A.R. Hall, *The London Capital Market and Australia 1870-1914* (Canberra, 1963), p. 102).

Scrimgeours, and the remainder of the 1882 Jamaica loan by Mullens Marshall.[1] In the case of the 1882 Natal 4% loan, Scrimgeours organised a syndicate of eight brokers, who agreed to buy £200,000 of the unsold balance at the minimum price of 94. In return, the brokers obtained a pledge that the bonds would be converted to 4% consolidated stock, and a loan from the Agents of £43,750, used to partly finance the purchase.[2] The syndicate, in addition, agreed to consider the acquisition of the remaining £230,000 of debentures at 94, but eventually decided against this, despite the Agents reducing the price to 92/5/- and then to 90/5/-.[3] A similar arrangement was made with regard to the 1885 Jamaica 4% loan. After discovering that the unsold stock could not be disposed off in the colony, the Agents agreed to Scrimgeours' proposal that they and Westgarth purchase the bonds at the minimum price and in delayed instalments. The brokers, in return, obtained a promise that the bonds would be converted free-of-charge to 4% stock, and that holders of the colony's previous 4% debenture loans would also be given an option of conversion and pay only half the cost of stamp duty.[4]

For the Agents, Scrimgeours' support of loans had a number of advantages. The use of one or a couple of underwriters meant that there was less risk that the arrangement would break down at times of financial crisis, or that the market in the stock would later be manipulated. Scrimgeours also probably had a great deal of knowledge of the sources of demand for Crown colony securities. Nivison, the organiser and leading member of the Australian tendering syndicate, for example, had innumerable contacts with brokers and jobbers, who supplied the company with information regarding trust demand for stock.[5] In addition, underwriting by tender at a price above the minimum

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[1] The £154,000 unsold balance of the 1883 W. Australian loan was re-issued in 1884 (CAOG 9/19, advert, 18 March 1884).

[2] CAOG 9/10, CAs to Natal, 30 Nov. 1882; *ibid.*, memo, 16 Dec. 1882; *ibid.*, Sargeaunt to Blake, 14 Dec. 1882.

[3] *Ibid.*, CAs to Scrimgeour, 21 March 1883; *ibid.*, CAs to Natal, 19 April 1883. The £230,000 was added to the 1884 Natal loan.

[4] CAOG 9/7, CAs to Jamaica, 27 Jan. 1885; *ibid.*, Sargeaunt to Scrimgeour, 25 Jan. 1885.

[5] R.S. Gilbert, 'London Financial Intermediaries and Australian Overseas Borrowing 1900-29', *Australian Economic History Review*, 11 (1971), p. 42. Trusts invested small sums at infrequent intervals.

created the illusion, if a loan failed, that it had been a success. Of the £193,500 worth of subscriptions for the 1892 £100,000 Trinidad loan, for example, £120,000 were made by Scrimgeours in two applications.[1] Similarly, in the case of the 1889 £100,000 W. Australian loan, which received £136,900 worth of subscriptions, Scrimgeours, who purchased 83% of the stock, must, as the lowest tender received 83% of his application, have applied for £100,000 of the loan.[2] The apparent success of issues ensured that Scrimgeours could off-load its purchases onto the public at a reasonable price and in a short period, with, as stock was purchased with borrowed money, time having an opportunity cost. The Agents could also issue future loans of the colony on similar terms.

For Scrimgeours, the arrangement was also advantageous. As the Agents themselves acknowledged, the company acquired 'inside information, which would assist them in any stagging operations...undertaken on their own behalf'.[3] More importantly, the firm, unlike most brokers, was assured a regular income.[4] For each debenture/stock allotted, the company obtained a brokerage commission of 1/4% from the Agents, and a selling commission of 1/4% from its clients.[5] It could also be confident that at least a portion of its allotment would be purchased by the Agents on behalf of colonial Funds.

In addition, when selling, the firm received any premium on the price that existed ie. the difference between the allotment price and the retail selling price. A comparison of Crown colony premiums with those of self-governing colony loans issued by the

[1] CAOG 9/18, schedule, 7 April 1892.

[2] CAOG 9/21, CAs to W. Australia, 26 July 1889; *ibid.*, press release, 23 July 1889.

[3] CAOG 9/101, memo, 12 Dec. 1927.

[4] From 1870 to 1914, the firm never made a loss. On the other hand, Foster and Braithwaite, a similar sized firm, made no profits in 1903, 1906-7 and 1913-4, and Sheppards Pelly Scott & Co. no profit in 1893 (David Kynaston, *The London Stock Exchange 1870-1914* (London Univ. PH.D thesis 1983), p. 118). The firm's £6,935 average pa profit per partner from 1870-95, however, was 20% less than that of Sheppards Pelly, the only other broker for whom profit figures are available (*ibid.*, A[lexander] S[crimgeour] papers: Profit figures). On their deaths, in respectively 1937 and 1955, the partners Walter Scrimgeour and Harry Blunt left respectively £205,586 and £112,000 (SH: Probate records).

[5] W.G. Cordingley, *Cordingley's Guide to the Stock Exchange* (London, 1893), p. 20.

BE and LW indicates that the Agents allowed their brokers higher premiums than the two banks. In the case of those loans for which a line of identical debentures/stock already existed and for which prices were quoted, the Agents, when setting the price of the new loan generally up to a week before the issue, allowed their brokers an average premium, over the period as a whole, 0.34% greater than that offered by the banks (Table 6.1).[1] Premiums being higher in 1883-92, when Crown colony loans were an unknown quantity, and 1903-12, when there was greater competition for capital. By the week after issue, the premium difference had doubled to 0.73% (Table 6.1), Crown colony premiums again being relatively high in the first and third periods. The increase was due to Crown colony retail prices suffering a smaller fall between the week before and the week after issue than those of the self-governing colonies (Table 6.2), and Crown colony brokers bidding up the minimum price of tender loans to a lesser extent than their independent colony counterparts (Table 6.3).

Not all the higher premium, however, represented additional broker profit. Between the first week and third month after issue, Crown colony retail prices rose to a lesser

Table 6.1: Mean Listed Loans Pre-Issue and Post-Issue Premiums 1883-1912[2]

	Crown Colony Premium (%)		**Responsible Government Premium (%)**	
	One week before issue	One week after issue	One week before issue	One week after issue
1883-92	3.87	1.94	3.09	0.57
1893-1902	2.33	1.07	3.28	1.21
1903-1912	2.62	1.12	2.13	0.58
1883-1912	3.17 (1.154)	1.53 (1.066)	2.83 (1.508)	0.80 (0.934)

[1] Average pre-issue premiums were calculated by subtracting the minimum or fixed price of each new loan issued by the CAs and the two banks from the retail price one week before issue of that loan's existing listed debenture/stock eg. in the case of the 1902 3% Trinidad stock loan (1922/4 redemption), the minimum price of the loan was subtracted from the retail price of the existing listed 3% Trinidad stock (1922/4 redemption). The premiums of all the loans issued during 1893-1912 were then averaged.

[2] *Daily List*, 1883-1912. Premium week before issue = Retail price one week before issue - minimum or fixed price. Premium week after issue = retail price one week after issue - fixed price or average allotment price. Standard deviation given in parenthesis.

Table 6.2: Mean Listed Loan Price Changes between the Week before and the Week after Issue 1883-1912[1]

	Crown Colony Loans (%)	**Responsible Government Loans (%)**
1883-92	-1	-0.93
1893-1902	-0.33	-1.68
1903-12	-1.5	-1.55
1883-1912	-0.91	-1.42

Table 6.3: Mean Percentage Increase in Listed Tender Loan Minimum Prices after tender 1883-1912[2]

	Crown Colonies (%)	**Responsible Governments (%)**
1883-92	0.93	1.46
1893-1902	1.11	0.79
1902-12	0.45	0.59
1883-1912	0.93	1.17

extent than those of the self-governing colonies (Table 6.4). Since prices, via supply, reflect purchases, the relatively slow price rise suggests that Crown colony debentures/stock was taken up by the public relatively slowly, perhaps because of the smaller size of the issues, though absorbtion appears to have gathered pace between the third month and the sixth month. It consequently seems likely that a proportion of the high premium of Crown colony loans was designed to compensate brokers, who purchased loans on borrowed money, for the extra cost of holding stock/debentures for long periods.

As regards those loans for which no line of listed debentures/stock existed when they were issued, a comparison of Crown and self-governing colony premiums when the

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[1] *Daily List*, 1883-1912. Price change = Retail price one week before issue - retail price one week after issue.

[2] CAOG 9 and CO 323 files; *SEOI*, 1883-1914. Price increase = Tender price - minimum price. Because the BE and LW largely issued non-tender fixed price loans from 1900, the 1900-14 figure is based on just eight issues.

Table 6.4: Mean Listed Loan Retail Price Changes between the First Week and Third Month after Issue and the Third Month and Sixth Month after Issue 1883-1912[1]

	Crown Colony Change (%)		**Responsible Government Change (%)**	
	First week to third month after issue	Third month to sixth month after issue	First week to third month after issue	Third month to sixth month after issue
1883-92	-0.08	1.21	0.86	-0.25
1893-1902	1.1	0.58	0.04	0.44
1903-1912	-0.37	0.75	0.26	0.15
1883-1912	0.15	0.99	0.36	0.14

stock was first listed, generally approximately six weeks after issue, during which time retail prices will have risen, suggests that premiums, particularly those of the self-governing colonies, were far higher than those of listed loans (Table 6.5). Both the Agents and the banks had few price guidelines, and perhaps feared that brokers would be unwilling to purchase the loans, owing to the possibility that public unfamiliarity with the 'new' debentures/stock would slow take-up. In fact, again taking into account the late listing, both independent colony and particularly CA issues appear to have been relatively rapidly absorbed by the public, perhaps because many of the loans

Table 6.5: Mean Premiums of Non-Listed Loans when First Listed 1883-1912[2]

	Crown Colony Premium (%)	**Responsible Government Premium (%)**
1883-92	1	1.5
1893-1902	1.68	0.8
1903-12	1.25	1.44
1883-1912	1.4 (1.451)	1.24 (1.41)

[1] *Daily List,* 1883-1912. First week to third month after issue price change = Retail price first week after issue - retail price three months after issue. Third month to sixth month after issue price change = Retail price three months after issue - retail price six months after issue.

[2] *Daily List,* 1883-1912. Premium = Retail price when stock first listed - fixed/average price. Standard deviations given in parenthesis.

Table 6.6: Mean Non-Listed Loan Retail Price Changes between Listing and the Third Month after Issue 1883-1912[1]

	Crown Colonies (%)	Responsible Governments (%)
1883-92	0.61	0.88
1893-1902	0.47	0.42
1903-12	0.21	-0.02
1883-1912	0.34	0.31

were floated by colonies that had not previously issued and thus attracted greater publicity (Table 6.6).[2] A relatively larger part of the premium thus represented broker profit, which was paid to offset the perceived greater risk of the loans.

The Agents' close relationship with Scrimgeours entailed two dangers. The firm could firstly deliberately misadvise the Office, in order to ensure the setting of excessively low prices and thus increase its own and, if a ring operated, other brokers' premiums when the stock was sold. In their determination of terms, the Agents almost always followed their broker's recommendations, partly because the success of the loan could depend on the firm's 'underwriting' activities.[3] The comparison of Crown colony and self-governing colony premiums, however, suggests that such misrepresentation did not occur. Secondly, the firm could have 'rigged' the market. Rigging involved brokers holding purchases of a particular colony's stock until a further issue was about to be made, at which point the holdings were dumped onto the market, forcing the price of the colony's existing stock down and the issuing house to set a low price for the new stock. The brokers would then buy large amounts of the new issue, and rig the prices of the old and new stock upwards by repurchasing the stock of the previous

[1] *Daily List* 1883-1912. Price change = Retail price first week after issue - retail price three months after issue.

[2] The mean yields of listed and unlisted loans, at respectively 3.86 and 3.87, are almost identical.

[3] In 1905, for example, the Agents informed the CO that the Hong Kong loan would be issued as 4% debentures, the form preferred, only if Scrimgeours did 'not oppose too violently' (CO 129/330/36884, note, 25 Oct. 1905).

loan.[1] Brokers rigged loans either because they wished to obtain excess profits, or, when a colony issued a second loan before they had off-loaded the first onto the public, to offset their losses from the resultant price fall.

Given their small size; stagnant market; the large proportion of stock acquired by one or two brokers; and their solid reputation among investors, who would absorb stock even if the price, occasionally, dipped, the rigging of Crown colony loans would have been relatively easy. Certainly, both the Agents and Scrimgeours were aware of the dangers and possibilities of rigging. The Agents, on numerous occasions, warned the CO of the 'opportunities for plunder'.[2] In 1908, for instance, they recommended a rapid decision on whether a S. Nigerian loan should be raised, as 'knowledge that such an issue is pending becomes a direct inducement to speculators to attempt to force down the price of the existing issue in the hope of compelling the new issue to be made at a low price'.[3] Similarly, Scrimgeours were cognisant of, and occasionally succumbed to, the temptation of market manipulation and other quasi-legal practices. In 1883, for example, the company made extensive sales of the £5m Cape loan in advance of its issue, in the expectation that the low 'grey' market price would reduce demand to such an extent that it would be able to buy large blocks of the loan at or even below the minimum price. In the event, the issuing house, the LW, and allies of the Cape, in an operation known as a 'corner', bought up the loan at above the minimum price, thus forcing Scrimgeours to purchase the stock it needed to meet its commitments at a premium to its sale price.[4] Likewise, in 1840, the firm was suspended by the Stock Exchange for almost a year, when it was discovered that it had broken Exchange rules and bought stock on behalf of a clerk.[5] And, in 1866, the

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[1] *Porter, Britain*, pp. 562-3; A.J. Purkis, *The Politics, Capital and Labour of Railway Building in the Cape Colony 1870-85* (Oxford Univ. D.Phil thesis 1978), p. 293.

[2] CAOG 9/94, CAs to CO, 20 March 1908.

[3] CO 520/69/5174, CAs to CO, 11 Feb. 1908.

[4] *Purkis, The Politics*, p. 316.

[5] D. Kynaston, *The City of London* (London, 1994), p. 212. The 'clerk', the Chief Cashier of the Union bank, had financed his investments with £260,000 embezzled from the bank, whose manager was J.S. Scrimgeour's brother (*ibid.*).

firm acted as brokers to Charles Lafitte & Co., who, claiming to be associated with Lafitte & Co., the Parisian bankers, issued £150,000 of shares and then went into liquidation.[1]

In fact, with one possible exception, rigging appears not to have occurred. A multiple regression of the yields of self-governing colony loans, issued by either the BE or the LW immediately prior to Crown colony loans, and the yields of Crown colony issues gives a co-efficient of determination, at a significance level of 5%, of 0.9.[2] Moreover, in the case of the thirty loans that added to an existing line of debenture/stock, the price of the existing debenture/stock of only four, 13%, fell between the month before and week before issue (Table 7). While, in the case of the 25 loans for which retail prices of the next highest/lowest dividend debenture/stock of the issuing colony are available, the price of the debenture/stock of only three loans, 12%, fell in this period. Of the issues preceded by a price fall, three were for Natal loans.[3] Moreover, a fourth Natal loan, the 1882 £700,000 issue, had to be postponed by the Agents for five months, when, in the four weeks before the original flotation date, the price suddenly fell, for no apparent reason, by 4 3/4 d.[4] It thus appears that the colony's loans were rigged, probably because its large and regular issues were floated before brokers had passed the debenture/stock of previous issues onto the public. In the case of the 1888

<u>Table 7</u>: <u>Price Movements between the Month and Week before Issue 1880-1914</u>[5]

	Identical Debenture/Stock (%)	**Higher/Lower Debenture/Stock (%)**
Price rise	40	24
Price fall	13	12
No change	47	64

[1] *PP 1878*, xix (C 2157), q. 6593, 6635, 6654. On discovering that the company was a fraud, Panmure Gordon, a partner in Scrimgeours, insisted that 'the swindle must proceed', fearing that, otherwise, brokers would loose their commissions (*Kynaston, The City*, p. 279-80).

[2] It was generally accepted that BE, and, to a lesser extent, LW loans were not rigged.

[3] The 1884, 1885 and 1893 Natal loans.

[4] CAOG 9/10, Natal to CAs, 26 June 1882.

[5] *Daily List*, 1883-1914.

loan, Westgarth and Scrimgeours, who had bought 99% of the stock, still held respectively 62% and 20% of their purchases over one year after the issue.[1] While, immediately before the 1891 issue, the Agents warned Natal 'that it is absolutely necessary that we should be able, if necessary, to state that Natal will not make any further application to the market for two years'.[2]

The relative absence of moral hazard can be attributed to a number of factors. Firstly, it was highly likely that the Agents would discover any deceit. The sons of both the Agents Sir William Sargeaunt and Sir Ernest Blake worked for Scrimgeours, and then as brokers in the City. In the early 1880s, Edward Woodbine Sargeaunt, was employed by Scrimgeours as a clerk.[3] On becoming a member of the Stock Exchange in 1883, partly indemnified by J.J. Scrimgeour, he operated on his own account as 'a dealer in the colonial market', and would therefore have been well aware of the activities of his old firm.[4] Likewise, in 1906, Edmund Christopher K.S. Blake, was also employed by Scrimgeours as an unauthorised clerk, and, from 1909, as an authorised clerk.[5] After becoming a Stock Exchange member, in late 1909, he left the firm, but remained in the City, entering into a partnership with W.W. Fidgeon, another former Scrimgeour clerk.[6] The Agents also had other contacts with the City. Sir Montague Ommanney, appears to have been a friend of Harry Blunt, another Scrimgeour clerk and later partner.[7] Sir Ernest Blake's brother-in-law Charles Cubit Gooch, until his retirement

[1] CAOG 9/12, CAs to Natal, 26 July 1889. £107,800, 22%, of the original loan was held by one person, a Mr H. Johnson (*ibid.*).

[2] CAOG 9/14, CAs to Natal, 15 Jan. 1891. It is possible that the Agents made little effort to prevent the rigging. The CA Sir William Sargeaunt, from 1853-8, had been Colonial Secretary of Natal, and had been subjected to much criticism with regard to his conservative financial outlook (B.J.T. Leverton, 'Government, Finance and Political Development in Natal 1843-93', *Archives Yearbook for S. African History*, 4 (1970), p. 249).

[3] GL: ms 17957, vol. 90.

[4] *Ibid.*, *MSE 1909-10*; GL: ms 17957, vol. 90.

[5] *Ibid.*, 1906; *ibid.*, 1909. An authorised clerk was able to deal on behalf of his firm.

[6] *Ibid.*, 1909; *ibid.*, 1910; *MSE 1909-10.*

[7] GL: ms 17957, vol. 136. Blunt attended the weddings of Ommanney's son and daughter (SA: *Barnes & Mortlake Herald*, 18 Nov. 1899; *Morning Post*, 13 July 1903). Sir George Aylwen, who joined Scrimgeours in 1896, regarded Blunt as 'rather lazy. His business contacts were few, and I would think it would be right to say that he added little to the material side of the firm. When I say that he was a very good chess player with a sardonic strain it will convey what I feel' (AS: Aylwen Reminiscences).

in 1873, was a partner of J.S. Morgan & Co, which issued loans for China, Argentina, Spain etc, and retained his links with the firm until his death in 1889.[1] The Senior CA, Sir Penrose Julyan, on his retirement, became a leading City figure, arranging a number of Cape, Newfoundland and New Zealand loans, and, from 1879-90, was a director of the LW.[2] The brother of Miss A.E. Boddy, head of the correspondence branch, and Miss M.E. Boddy, a lady clerk, was the stockbroker Walter Randall Boddy.[3] And the former Secretary of State, Alfred Lyttelton, from 1903-5, was again a director of the LW.[4] In addition, Blake and Ommanney would have obtained much City gossip from their fellow directors in the London Assurance Co., and, in the case of Blake, the Pretoria & Pietersberg Railway Co, most of whom had connections with the City.[5]

The Agents also monitored Scrimgeours' activities in a more formal manner. After receiving the firm's advice on the price of a proposed loan, the Office occasionally covertly tested the market, through the purchase and sale of stock from the issuing colony's previous loans, and compared the recommended issue price with recent self-governing colony issues of a similar dividend/currency. The issue price of the 1897 Jamaican loan, for example, was compared with that of recent W. Australian, S. Australian and Queensland issues.[6] Similarly, they occasionally checked Scrimgeours' advice with Mullens Marshall, or sought a second opinion from an external firm. Expecting criticism of the fixed price set for the heavily oversubscribed 1902 Ceylon loan, for instance, they instructed Scrimgeours to obtain letters from two City experts that confirmed that the price was fair.[7]

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[1] *George Peabody & Co. 1838-1958* (Oxford, 1958, for private circulation), p. 3, 8.

[2] NW: 12895/221; 12895/238; 12895/216; 1597, Mills to Julyan, 2 Nov. 1883.

[3] SH: Probate records; *MSE 1894*.

[4] *DD*, 1903-5.

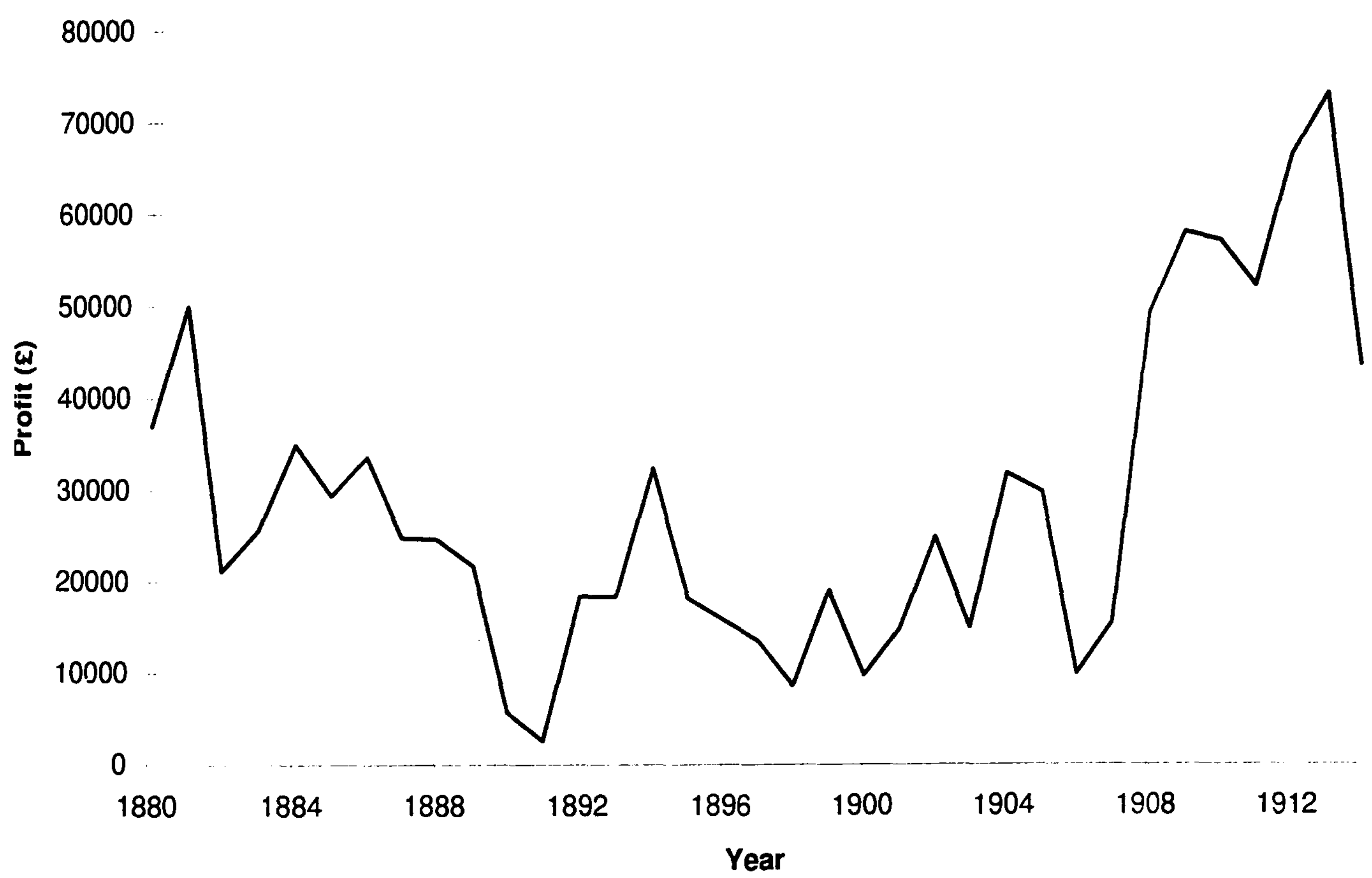
[5] Details of London Assurance directors were given in Chapter two. Blake was the government director of the Pretoria & Pietersberg Railway Co., and, in 1901, his seven fellow directors held, between them, 45 directorships (*SEOI 1901*; *DD*, 1901).

[6] CO 137/585/15238, CAs to CO, 13 July 1897.

[7] CAOG 9/4, Scrimgeours to CAs, 7 Feb. 1902.

Immorality was further discouraged by the high cost of discovery. Scrimgeours would have been aware that, if found to be rigging prices or providing inaccurate advice, they would be dismissed, and that any short-term gains from immorality would be offset by the loss of the income earned from the 'underwriting' of Crown colony loans and the sale/purchase of securities for colonial Funds. Indeed, the loss of the Agents' business could even have threatened the firm's survival. According to Sir George Aylwen, 'no great effort was made...to collect business', and, even after the arrival of the 'very dynamic' John Scrimgeour in the early 1900s, the client base appears to have been small.[1] The firm was the broker on a number of New Zealand and Cape loans and occasionally acted for Barings, but, as reflected by the tendency of its profit figures to move in tandem with Crown colony issues, worked mostly for the Agents (Figures 5 and 2).[2]

Figure 5: J. & A. Scrimgeour Profits 1880-1914[3]



Finally, the Agency adopted a variety of practices that made rigging difficult and

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[1] AS: Aylwen Reminiscences.

[2] *Suzuki, Japanese*, p. 79. Scrimgeours' wish to keep the Agents business is also reflected by the firm's willingness to employ the sons of Blake and Sargeaunt as clerks. From 1874, no firm was allowed by the Stock Exchange to have more than two authorised clerks, and the competition for positions was therefore great (*Kynaston, The City*, p. 76).

[3] AS: Profit figures.

unnecessary. To avoid re-entering the market after a flotation until the purchasing brokers had sold their allotments onto the public, the Agents issued larger than necessary loans, and provided colonies, which had recently floated loans but required finance, with temporary advances.[1] CO and colonial proposals to issue loans in instalments were strongly opposed. For example, the Agents, in 1905, warned the CO that there would be 'grave objection' in the market to the issue of an instalment Straits loan, and, in 1906, that two Ceylon issues in rapid succession would give 'the Stock Exchange and financial houses...the power...to influence very prejudiciously the price at which loan operations can be carried out'.[2] The Agents also created, through conversion and the issue of debenture/stock identical to existing loans, large blocks of securities, the prices of which could not be easily influenced by purchases/sales; kept the imminent issue of loans secret; encouraged non-City participation through the adoption of inscribed stock, widescale advertising etc; and purchased a large proportion of stock themselves for colonial Funds.

The formal underwriting of Crown colony loans began in 1901, though the first issue underwritten was the 1892 Grenada loan, £14,450 of which was required for debt repayment.[3] By 1900, underwriting was universal in the City, as the informality of syndicate support led arrangements to break down at times of financial crisis when support was of greatest importance, and brokers wished to gain guaranteed remuneration for their activities. The Agents opposed the practice, which increased costs; caused the price to fall to a discount after issue, when underwriters off-loaded their purchases; and discouraged subscription by the public, who preferred to buy during the post-issue discount period.[4] Since underwriters purchased unsold stock

[1] Agency staff in 1919 were advised that loans should be large enough to finance colonies for at least two years (CAA: Memorandum, p. 3a).

[2] CAOG 9/94, CAs to CO, 31 March 1908.

[3] CO 321/144/10204, CAs to Col. Sec., 19 May 1892.

[4] CAOG 9/4, CAs to Ceylon, 24 Jan. 1902; CO 147/177/6936, CAs to Lagos, 3 March 1905.

after the issue rather than enter tenders, underwriting also revealed the low demand for Crown colony loans, which further reduced their credit worthiness. Attempts to hide low subscriptions, through announcements that loans had been 'fully covered', were defeated by the press, who took delight in revealing the subterfuge.[1]

Unfortunately for the colonies, the Agents had little option but to accept underwriting, as 'the stock exchange have it in their power to kill any loan by leaving it severely alone'.[2] The only alternative was self-underwriting, which, on a number of occasions, was rejected by the Office. The fact that self-underwriting could result in a profit without the allocation of stock meant that most loan ordinances precluded the use of SF contributions for this purpose.[3] The Agents usually lacked sufficient surplus funds to underwrite a whole loan, and, in any case, did not know, at any one time, the amount of such funds available for investment.[4] In addition, they regarded the practice as speculative, and believed that support of only certain loans would increase the cost of normal underwriting, as underwriters would suspect that they only covered popular issues. They also feared that, if a large proportion of a loan was purchased by a particular colony's surplus funds, the Stock Exchange, to avoid the cornering of the market, could refuse to list the stock.

Underwriting was arranged by Scrimgeours, for which they were paid a fee of 1/4%, the same as that received by Indian railway brokers.[5] The actual underwriters obtained 1%, again the market average, though for the 1902 Gold Coast and Ceylon loans commissions of respectively 1 1/4% and 1 1/2% were paid.[6] In addition, if a loan was

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[1] For example, in the case of the 1906 Hong Kong issue, the *Times* commented that the statement that the loan was 'fully covered' was 'of course not inconsistent with the fact that the underwriters have taken 70%' (CO 129/336/6544, *Times*, 21 Feb. 1906). See also *ibid.*, *Daily Graphic*, 23 Feb. 1906.

[2] CAOG 9/29, Blake to HK, 23 Feb. 1906. Only IO sterling loans were not underwritten (*PPE*, q. 713).

[3] CAOG 9/101, memo, 27 June 1922.

[4] CO 273/376/23857, CAs to CO, 20 July 1911.

[5] *PPE*, q. 719.

[6] F. Lavington, *The English Capital Market* (London, 1929), p. 197; CAOG 9/86, CAs to Gold Coast, March 1902; CAOG 9/4, CAs to Ceylon, 24 Jan. 1902. Foreign governments paid far more. In 1904 and 1905, for example, Japan paid commissions of respectively 3 1/2% and 2 1/2% (*Suzuki*, *Japanese*, p. 19).

fully subscribed and the underwriters required a portion of the stock, the amount underwritten would occasionally be added to the amount publicly subscribed and the stock distributed pro-rata.[1] A large number of the loans were, as before, underwritten by Scrimgeours themselves, who continued to charge their arrangement fee.[2] Moreover, the firm claimed their commission on the whole of the loan even when the Agents reserved a portion of the stock for themselves, arguing that this was a recognised custom of the City.[3] Other underwriters used include the Bank of British West Africa, who underwrote many West African loans, and the LW, who covered at least six issues.[4] In addition, in 1906 and 1907, the Agents directed Scrimgeours to offer a portion of the underwriting of respectively the Hong Kong and Straits loans to certain local trading companies and banks in order to 'enlist their sympathies'.[5] Unfortunately for the Agents, the initiative proved a failure. The Bank of India, Australia and China asked for their allotment to be taken off their hands.[6] While, in the case of the Straits loan, the Hong Kong and Shanghai Bank informed the governor that the loan would be issued at an excessively low price, leading to much criticism from the colony, and a further local underwriter was suspected of beginning a rumour that the loan would be a failure.[7] The Agents, consequently, thereafter left the choice of underwriters to Scrimgeours.

3.2 Placed Loans, Conversions and Advances

Crown colony demand for external finance was secondly met through the private issue of debentures/stock, conversion, and the provision of colonial current account overdraft facilities and short-term loans. Privately issued or placed loans were

[1] CAA: Memorandum, p. 34.

[2] The firm, for example, purchased respectively 92% and 88% of the 1905 and 1906 Mauritius and Hong Kong loans.

[3] CAOG 9/105, Antrobus to CO, 9 March 1914; CAOG 9/80, CAs to Blunt, 13 May 1907.

[4] CAOG 9/76, Couper to Scrimgeours, 14 May 1909. The LW underwrote £50,000 of the 1907 Straits loan, 1908 S. Nigerian loan, 1910 Straits loan, and 1911 S. Nigerian loan, and £25,000 of the 1909 Gold Coast and Ceylon loans (NW: 12914/339; 12915/94; 12915/208; 12915/270; 12916/182; 12916/33).

[5] CO 273/332/16226, CAs to Col. Sec., 3 May 1907; CAOG 9/25, Blake to Nathan, 23 Feb. 1906.

[6] CO 273/322/11688, CAs to CO 2 April 1906.

[7] CO 273/332/16226, CAs to Col. Sec., 3 May 1907; *ibid.*, CAs to HK & Shanghai bank, 18 April 1907.

primarily raised to meet public issue and conversion expenses, redeem previous loans, and finance small infrastructure projects (Appendix 4). As they received no commission and the prices obtained were relatively low, the Agents were generally reluctant to use placing. They relented when the size of the sum to be raised failed to justify the cost of public flotation; they wished to avoid further depreciation of a colony's credit, through the private sale of unquoted short-dated stock; and if the poor state of the market made a successful public flotation unlikely.[1] The £149,500 unsold balance of the 1881 Ceylon loan, for example, was placed because several Australian issues had exhausted market demand for colonial loans.[2] The bonds/stock was generally sold by Scrimgeours, though the two 1903 Mauritius loans were disposed off by the Agents themselves.[3] In return, the firm obtained its usual brokerage fee, unlike the BE's brokers, who received half their usual commission.[4] The firm either approached potential investors directly or through an advertisement in the London *Times*, and were either given a minimum price by the Agents, asked to discover the price potential investors were prepared to pay, or allowed to sell the stock at the best price available.[5] Purchasers appear to have been investors rather than brokers, and included the BE; the Economic Life Assurance Co.; the Agents themselves, who bought £9,000 of the 1896 St Lucia loan; and private firms with an interest in the issuing colony.[6] For example, the 1880 Montserrat loan was bought by the Antigua Savings bank, and £5,000 of the 1895 Dominica loan by the Belize Eastern and Produce Bay Ltd.[7] In addition, on at least two occasions, stock was purchased by relatives of CAs. A cousin of Sir Montague Ommanney bought, 'on the recommendation of...Sir Montague', £2,000 of the 1892 St Kitts and 1894 Montserrat loans, and, in 1932, £400 of the Montserrat stock was held by misses E.M. and A.J.

[1] CAOG 9/5, CAs to Scrimgeours, 2 July 1890; CO 179/149/12426, CAs to CO, 21 July 1883.

[2] CAOG 9/4, CAs to Ceylon, 4 Sept. 1891.

[3] CO 167/764/11471, CAs to Col. Sec., 20 March 1903.

[4] BE: AC 30/290, BE to Transvaal, 31 March 1910; CAOG 9/6, Scrimgeours to CAs, 2 August 1889.

[5] eg. *Ibid.*, CAs to Scrimgeours, 30 July 1889; CAOG 9/64, CAs to Scrimgeours, 13 Feb. 1896.

[6] CO 321/168/4311, CAs to CO, 26 Feb. 1896; CAOG 9/62, Scrimgeours to CAs, 3 April 1895.

[7] *Ibid.*; CAA: M 60.

Blyth, cousins of the wife of Sir Ernest Blake, and, in the case of E.M. Blyth, a CA clerk.[1]

The yields of placed loans were similar to those of public issues (Table 8.1), and, as Scrimgeours did not have to be recompensed for holding the bonds/stock, the mean premium on issue was half that of listed publicly issued loans one week after flotation (Table 8.2). Often there was little demand for the loans, owing to their small size; in some cases, short lifespan and unquoted status; the poor state of some of the issuing colonies' finances; and, in the case of the larger loans, the depressed market at issue. In 1897, the Agents also pointed out that the tendency of some colonies to name such loans Treasury debentures, which suggested that they were analogous to Treasury bills, short term temporary securities, additionally effected their marketability.[2] Occasionally, demand was so poor that loans had to be sold in small blocks, and Scrimgeours had great difficulty disposing of stock. For example, in 1892, the company was unable to find any buyer for the £23,500 St Kitts loan, forcing the Agents to reduce the price, and, in 1887/8, took over seven months to dispose of £25,000 of Grenada stock.[3] At times, the Agents expressed disappointment at the prices obtained, and sometimes had reason to doubt Scrimgeours' explanations. In the

Table 8.1: Mean Yields of Placed Crown Colony Loans 1883-1912 (%)[4]

	Mean Yield (%)
1883-92	3.91
1893-1902	3.66
1903-12	3.89
1883-1912	3.79 (0.506)

[1] CAOG 9/56, Metcalfe to CAs, 18 April 1915; *ibid.*, CAs to Metcalfe, 20 April 1915; *ibid.*, schedule, 8 Oct. 1932; *CO List*, 1895-1910.

[2] CO 152/226/3807, CAs to CO, 19 Feb. 1897. The term was dropped.

[3] CAOG 9/55, Scrimgeours to CAs, 5 Feb. 1892; CAOG 9/6, CAs to Scrimgeours, 28 July 1887; *ibid.*, Scrimgeours to CAs, 12 March 1888.

[4] CAOG 9 and CO 323 files. Yield = interest rate / price x 100. Standard deviation given in parenthesis. The 1903-12 yield represents just four loans.

Table 8.2: Mean Issue Premiums of Placed Crown Colony Loans (%)[1]

	Mean Premium (%)
1883-92	0.51
1893-1902	1.04
1903-12	3
1883-1912	0.827 (0.68)

case of the 1894 Bahamas 4% loan, for instance, the company claimed that it had sold £10,000 of bonds at 103.5, because only one investor was willing to purchase.[2] In fact, the Agents on the day of the sale had been informed by the LW that 'friends in Nassau' were keen to take up the debentures.[3] Alternatively, on other occasions, Scrimgeours appear to have made great efforts to obtain the best price available. In 1896, for example, the firm postponed the sale of Trinidad stock until after the stagnant Christmas period, and, in January 1897, informed the Agents that they had rejected a 114 offer for the stock, as it was 'worth a better price', and were 'holding out for more'.[4]

Both publicly and privately issued loans, as well as those raised in the colonies, were usually at some time converted (Figure 7). Conversion involved the exchange, with the investors' permission, of existing debentures/stock, generally with less than half of its lifespan yet to run, for new debentures/stock, with a full 50/60 year currency. In the 1880s, before the issue of stock became widespread, the Agents, to increase public subscription, also occasionally offered immediate conversion of debenture loans to stock, and floated loans in the form of both bonds and stock, giving bond

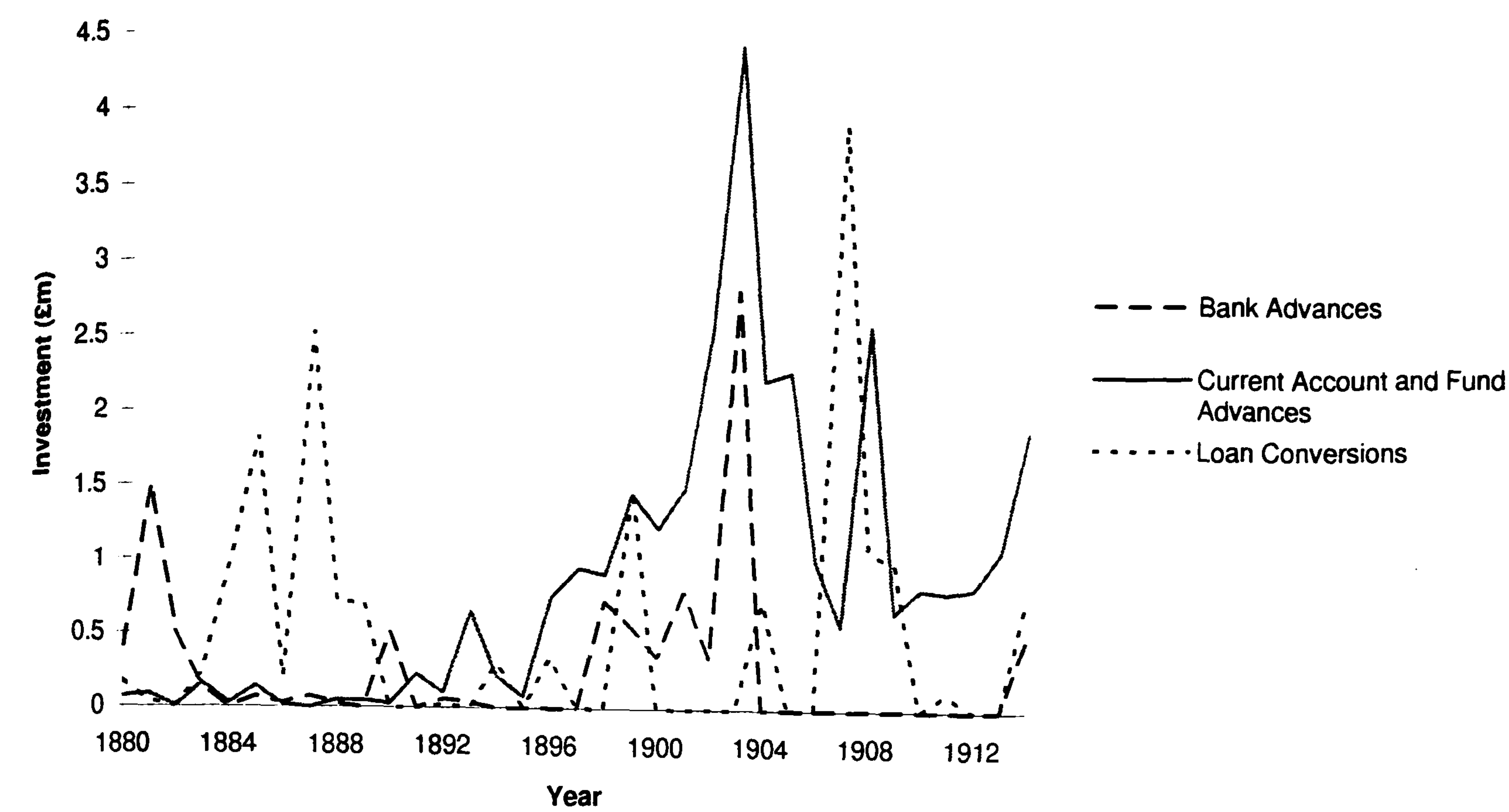
[1] *Daily List*, 1883-1912. Premium = Listed price on day of issue - fixed price. Standard deviation given in parenthesis. The 1903-12 premium represents just one loan.

[2] CAOG 9/57, Scrimgeours to CAs, 27 June 1894. St Lucia and Grenada 4% stock stood at, respectively, 108 and 109 (*ibid.*, CAs to CO, 1 Sept. 1894).

[3] *Ibid.*, LW to CAs, 26 June 1894.

[4] CAOG 9/68, Scrimgeours to CAs, 21 Dec. 1896; *ibid.* Scrimgeours to CAs, 27 Jan. 1897.

Figure 7: Loan Conversions and Advances 1880-1914[1]



purchasers the opportunity to convert by a set date.[2] Similarly, from 1902, again to increase demand, the Agency began to issue short-term debenture loans convertible to stock at the option of holders.[3] While, in 1892, the Agents, doubtful that investors would co-operate, converted a large proportion of Grenada debentures by purchasing £13,000 worth on the market, destroying the scrip, and adding the sum to the colony's stock loan issued later in the year.[4]

During the period, 46 loans were converted in 72 operations (Appendix 5, Table 9.1). The conversion process firstly involved the Agents and Scrimgeours deciding whether a loan should be converted. Conversion was particularly likely to go ahead when interest rates were low and capital was abundant; unquoted debentures or stock were to be exchanged for more marketable quoted securities; and, in the case of debentures

[1] NW: 12909, 12911-3; BE: C 58/2/101, C 58/3/605, C 58/4/391, C 58/6/89, C 58/6/328, C 58/8/103, C 58/12/396; CO 323 series; CAOG 9 series. The current account/Fund advances are underestimates (see Table 1 footnote).

[2] eg. the 1884 Natal, 1885 Ceylon and W. Australian, and 1887 Mauritius loans.

[3] These are described in Chapter Four.

[4] CO 321/144/10204, CAs to Col. Sec., 19 May 1892.

Table 9.1: Types of Conversion 1880-1914

Type of Conversion	Percentage
Debentures to stock with the same interest rate	46
Debentures to stock with a lower interest rate	44
Debentures to debentures with a lower interest rate	8
Stock to stock with the same interest rate	1

with drawing SFs, when the bonds had been in existence for sufficient time for investors to fully appreciate 'the superior attraction of stock'.[1] The Agency then set the terms of conversion, taking into account accrued dividends and the market price of the 'new' debentures/stock. The rate being fixed somewhere between the amount holders could obtain if they converted themselves and the highest rate that could be offered without making a loss.[2] The Agents then determined the period of conversion, which, if the response was likely to be poor, was left open-ended; placed advertisements in a range of national and provincial newspapers; and, in the case of the 1887 Natal stock conversion, sent application forms to each stock holder. Where debentures were to be exchanged for securities not yet quoted, which, less marketable than quoted debentures/stock could discourage conversion, the Agents immediately converted colonial UK investment Fund holdings, thus ensuring that the new line of debentures/stock would exceed £100,000 and be quoted.[3] If, after the conversion closed, investor response had been poor, a further conversion would be arranged, usually a few years hence, or the public invited to apply privately for conversion on terms set by the Agents and 'governed by the market price of stock at the time'.[4]

For investors, conversion had a number of attractions. They firstly received a rate of exchange superior to that which could be obtained in the market, and generally

[1] CO 321/156/4028, CAs to Col. Sec., 26 Feb. 1894.

[2] CAOG 9/68, CAs to Col. Sec., 28 July 1896.

[3] CO 167/591/4599, CAs to CO, 3 May 1880.

[4] CAOG 9/50, CAs to Col. Sec., 12 Dec. 1894.

avoided stamp duty and brokerage costs, though, in 1885, holders of Ceylon, W. Australian and Jamaican debentures were required to pay a portion of the duty.[1] In addition, in the case of the 1881 and 1888 Mauritius conversions, they received respectively a cash premium of £4 to £16, and an additional 2 1/2 months interest on the new stock.[2] Where debentures were exchanged for stock, they also obtained a more secure holding. And, when drawing debentures were swapped for non-drawing debentures/stock, they no longer ran the risk that the bonds would be drawn and repaid at par, and their new holdings were more likely to rise in price.[3]

For the Agents, conversion provided a useful source of income; consolidated colonial debts, leading to administrative savings; eliminated the cost of arranging draws where debentures with drawing SFs were converted; and avoided the fall in colonial stock prices/credit that occurred when a large loan with an accumulated SF was redeemed and the Fund's Crown colony securities were sold. More importantly, the practice increased colonial funds. Colonies avoided repayment at par; the difficulties that arose when security prices were low at the time of the redemption/sale of accumulated SFs; and the costs and risks of a further issue. Furthermore, where drawing debentures for non-drawing debentures/stock were exchanged, they no longer had to meet drawing costs, and, the price of the new debentures/stock was likely to rise in price more rapidly and to a greater extent than the drawing debentures, increasing the credit of the colony and the price of future loans. Similarly, if securities with accumulative SFs were converted, they received that portion of the Fund that had been set aside to pay off the debentures converted. In 1888, for example, the conversion of the Mauritius 6% issue released £17,622 of the SF, which was transferred to general revenue.[4] The creation of a large block of quoted debentures/stock also increased the marketability of loans, and again led to more rapid price rises.

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[1] CAOG 9/3, advert, 27 June 1885.

[2] CO 167/598/814, CAs to CO, 17 Jan. 1881; CAOG 9/9, CAs to Mauritius, 22 March 1888.

[3] CAOG 9/7, CAs to Col. Sec., 17 Oct. 1888.

[4] CO 167/598/814, CAs to CO, 17 Jan. 1881.

Finally, conversions often reduced colonies' annual charges or allowed them to make a profit from the transactions (Table 9.2). Seventeen percent of conversions involved the exchange of debentures/stock of the same interest rate for less than 100, or of a higher to lower interest rate for 100 or less. While, in the case of the 42% of conversions of stock/debentures for securities of a lower interest rate at an exchange rate of above par, the dividend charge savings were generally sufficient to offset, over the lifetime of the loan, any increase in debt. For example, the £32,300 increase in Mauritius's nominal debt, as a result of the 1881 conversion, was outweighed by the £78,531 saved, from 1883-95, in annual charges.[1]

Table 9.2: Conversion Terms 1880-1914[2]

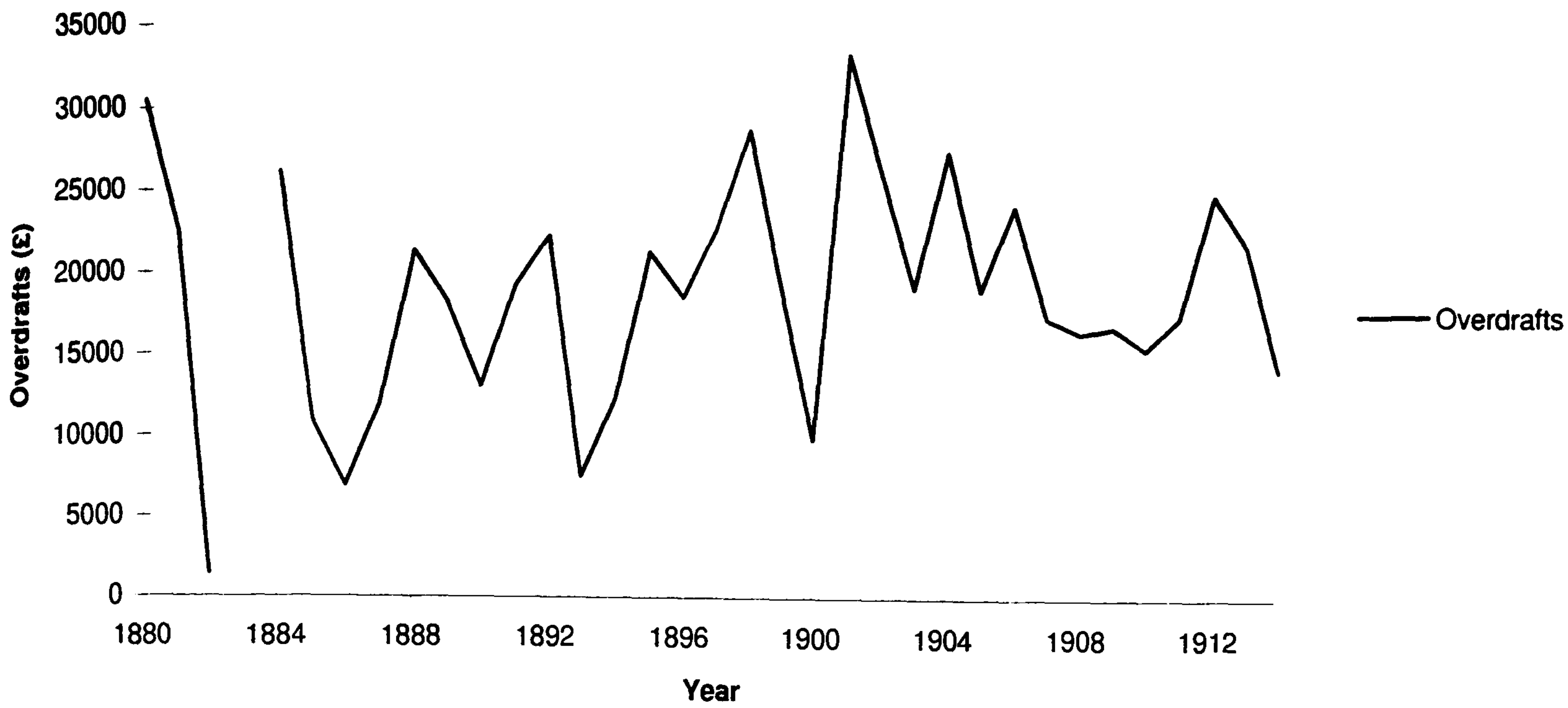
Terms	Percentage
Conversion of same interest debentures/stock at 100	35
Conversion of same interest debentures/stock at less than 100	8
Conversion of same interest debentures/stock at over 100	3
Conversion of debentures/stock to lower interest debentures/stock at over 100	42
Conversion of debentures/stock to lower interest debentures/stock at less than 100	6
Conversion of debentures/stock to lower interest debentures/stock at 100	3
Terms privately agreed	3

A further method of meeting colonial financial demands was through the provision of overdrafts and short-term loans from the Agents' colonial surplus balances and from banks (Figures 7 and 8). The Agents managed, on behalf of each colony, a current account, the contents of which were used to meet their UK transactions, and a large number of investment Funds eg. loan SFs, a Currency Fund, a Saving Bank Fund etc. Colonies were allowed overdrafts on their current accounts, and could obtain loans,

[1] CO 167/598/12385, CAs to CO, 11 July 1881.

[2] See Appendix 5.

Figure 8: Colonial Overdrafts (£) 1880-1914[1]



known as advances, from the Agents, which were financed from the surpluses of other colonies' accounts, and, from 1900, the annual contributions to investment Funds.[2] In return, borrowers paid 5% interest until 1887, and thereafter bank rate with a minimum of 3%, which, in the case of advances, was passed to the lending colonies.[3] Overdraft interest, which, in 1902, amounted to £879, however, was kept by the Agents.[4] Overdrafts were generally small, rarely greater than £100 and were repaid within the month, usually by remittances from the colony, but also from grants-in-aid, the sale of Treasury bills, and, occasionally, the disposal of securities.[5] Alternatively, advances were larger, ranging from £4,700 lent to Grenada in 1889 to the £1.1m obtained by Hong Kong in 1905, and were renewed, often for years.[6] They were provided largely to allow colonies to postpone issues when the market was depressed or their credit poor; occasionally, if the exchange rate was unfavourable, to enable colonies to postpone the remittance of funds to the UK; and, in one or two cases, for

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[1] CO 323 series, CA accounts. The totals have been calculated from the CAs' overdraft interest receipts.

[2] The use of investment Fund contributions is discussed in Chapter Four.

[3] CO 323/364/5663, CAs to CO, 2 April 1886; *PPE*, q. 4187-8.

[4] *Ibid.*, q. 4189.

[5] eg. CO 323/453/36822; CO 323/453/33441, CAs to CO, 11 Oct. 1890; CO 323/415/7841.

[6] CAOG 9/6, CAs to Col. Sec., 16 Aug. 1889; CAOG 9/25, CO to CAs, 30 June 1905.

political purposes.[1] The £1.1m advanced to Hong Kong in 1905, for example, was lent to the Chinese government, who used it to purchase the Canton-Haukau railway in return for an agreement to allow British concessionaires to extend the line to the colony.[2] The provision of such advances was not unusual. Both the BE and LW made similar short-term loans to self-governing colonies that used their issue facilities.[3] Moreover, the amounts lent tended to be far larger and the interest rate lower than Agent loans. For example, the BE, in 1883 and 1893, advanced India respectively £1m and £250,000 at 1/2% below bank rate, and, in 1891 and 1912, the LW lent respectively the Cape and W. Australia £500,000 for twelve and four months, again at below bank rate.[4]

Theoretically, advances were made only if a colony could supply security, 10% greater than the amount advanced, in the form of an authority to sell non-essential Fund investments or a loan ordinance permitting a future issue.[5] In reality, the Agents often paid little attention to the provision of collateral. Occasionally, no security was provided. In 1910-2, for instance, the Agents advanced Trinidad £85,000 for the purchase of a local estate in 'anticipation of the passing of legislation for the raising of £100,000 for this purpose'.[6] In August 1905, the Agency continued to lend Mauritius £92,000, even though the debentures that acted as collateral had been redeemed.[7] Similarly, some of the security put forward was far from adequate. From 1899-1900, for example, neither loan ordinances nor securities were a creditable form of collateral, given that most loans could only have been issued at a large discount, and the market price of investments was often lower than their cost price on which

[1] eg. CO 323/396/9862, Ommanney, 18 June 1894.

[2] CAOG 9/25, CO to CAs, 30 June 1905; *The Standard*, 10 Oct. 1905.

[3] Colonies that did not issue through the banks were refused advances (BE: G 23/67/1, BE to Cape, 23 Aug. 1883; NW: 12911/123).

[4] BE: G 23/67/94; G 23/68/162-3. See also G 23/67/264, G 23/66/249, G 23/67/33; NW: 12911/164, 12916/284. See also NW: 12909/290, 12912/31.

[5] CAOG 9/71, CAs to BG, 17 April 1900.

[6] CAOG 9/81, CO to CAs, 24 Feb. 1912.

[7] CO 167/773/31121, CAs to CO, 28 Aug. 1905.

their collateral value had been based.[1] In addition, the Agents occasionally used advances, obtained on the security of a loan ordinance, for purposes other than those for which the loan was to be raised. In 1892, for instance, they used advances provided on the security of the Antigua Stock Act to place St Kitts, Dominica, the Virgin Islands, and the Leeward Islands Federal account in funds.[2] In their eagerness to provide advances, the Agents also sometimes left essential Funds dangerously exposed. In 1898, in order to be able to use investments in the Mauritius Savings Bank Fund as security, they transferred miscellaneous local securities, such as dock warrants, bills of exchange etc into the Fund, and moved the Fund's securities that they wished to use as collateral into the Currency Commissioners account.[3]

To the Agents and colonies, advances were beneficial. They allowed colonies in need of funds to continue to purchase UK goods/construct infrastructure, and thus maintained colonial demand for Crown Agent services. Lending colonies received a return of bank rate rather than deposit rate, and the borrower obtained cheap funds, bank rate being lower than the borrowing rate or rate of exchange, and were able to issue a loan or remit funds on better terms when the market or rate of exchange improved.[4] Furthermore, the interest paid was kept by the colonies/Agency and not lost to the banking system. The CO, however, viewed both overdrafts and advances with suspicion. Overdrafts encouraged colonies to get into 'a habit of not remitting', which often led to financial problems that had to be solved by the CO.[5] There was also concern about the lack of security provided for overdrafts, the absence of any colonial legislative authority for such loans, the Agents' failure to seek permission to

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[1] eg. CAOG 9/222, Blake to CO, 30 March 1906.

[2] CO 152/185/21834, CAs to CO, 9 Nov. 1892; CAOG 9/54, memo, 26 July 1893. The CO regarded the practice as 'rather questionable' and an 'irregularity' (CO 152/185/21834, Winfield, 11 Nov. 1892; CO 152/188/18432, Harris, 6 Nov. 1893).

[3] B. Bruce, *The Broad Stone of Empire* (London, 1903), p. 492. An attempt to repeat the action in 1903 was blocked by the CO (CO 167/764/3194, CAs to CO, 23 Jan. 1903).

[4] CO 323/371/2922, Ommanney, 23 June 1888.

[5] *Ibid.*, note, 15 Feb. 1888. In an attempt to prevent this, the CO constantly drew governors' attention to overdrafts. For example, in 1888, all the W. Indian colonies were sent a letter critical of their debts, and, in 1896, the overdrawn Leeward Islands received a 'sharp lecture by mail' (*ibid.*; CO 323/406/21074, Olivier, 14 Oct. 1896).

borrow from the lending colony, and the source of liability if a borrower defaulted.[1] In addition, it was believed that advances were essentially speculative, and that for the sake of 1/2% or 1% lower interest/exchange rate for a few months, a colony ran the risk, if the market or rate of exchange had worsened by the time the loan was issued/funds remitted, of far greater losses.[2]

Bank loans were resorted to only when the Agents were unable to finance a colony themselves. They were obtained from the BE, who provided its first advance in 1871, and the LW, generally for periods of one to two months, though loans were rolled over occasionally for up to a year (Appendix 6 and 7).[3] In return, the colonies paid interest at bank rate, with the exception of Zanzibar, Barbados and St Vincent in 1899 and the Transvaal in 1903, who obtained loans from the BE at respectively 1% and 1/2% below this rate. A BE offer of a loan to Natal in 1883 at 1% above Bank rate was rejected by the Agents, who obtained the advance from the LW.[4] In theory, colonies additionally provided collateral in the form of promissory notes, bills in the process of discounting, securities, or an ordinance or scrip for a forthcoming loan. In reality, however, the banks' attitude to security varied according to the perceived credit worthiness of the borrower. The BE required no collateral for the 1899 loans to St Vincent, Barbados and Zanzibar, nor for those to the E. Africa protectorate and FMS in 1914. Alternatively, in 1879 it refused to extend a loan to Griqualand on the grounds that the ordinances provided were only 'permissive', and that it was 'not impossible that the Cape government may refuse to act upon the powers conferred upon them'.[5] Where security was insisted upon, the Agents often arranged for the borrowing colony to create an ordinance specifically to act as collateral, or gave the

[1] *PPE*, q. 1741; CO 323/393/9871, Round, 17 June 1893. Borrowed sums appeared in the lending colonies accounts only as 'loans to the CAs', supposedly to prevent inter-colonial jealousies (*ibid.*, Ommanney, 23 June 1893). In 1897, Round concluded that liability ultimately rested with the Secretary of State (CO 323/415/5301, Round, 15 March 1897).

[2] CO 323/415/7841, Antrobus, 17 April 1897, margin note.

[3] BE: G 4/94/21.

[4] CAOG 9/213, CAs to BE, 16 March 1883.

[5] BE: G 23/66/18-9, BE to CAs, 4 Sept. 1879.

banks loan ordinances that had been created for purposes different from the intended use of the advance. In 1910, for example, the Agents asked the CO to require Hong Kong to pass an ordinance for a LW loan, adding that the stock would only be issued 'in the very improbable event of our being unable to obtain money' to repay the sum borrowed.[1] While, in 1898, the Agents gave the BE a Gold Coast railway ordinance for an advance that was to be used to pay off the colony's overdraft, an act the Assistant Under Secretary F. Graham believed to be 'very unpleasant'.[2]

Not all the Agents' requests for assistance were fulfilled. The banks were particularly reluctant to tie up their resources during periods of high interest rate, when they could obtain greater profits elsewhere.[3] For example, the LW in September 1890 refused to provide further advances for 'the current year', and both banks, in 1906, warned the Agents to keep their 'requirements...within the lowest possible limits'.[4] There is evidence, however, that banks' reluctance to lend could be overcome through the assistance of the Treasury. In 1903, the Chancellor, on rejecting a request for further Treasury loans for Sierra Leone stated that he would 'be disposed to support' an application to the BE for advances to the colony, and later advised Ommanney that there would be 'no difficulty in giving the Agents the desired assistance'.[5]

The Agents and CO were reluctant to publicise the advances. In the 1908 enquiry, when asked about the Jamaican governor's claim that an advance had been obtained from the LW, Blake insisted that he could not remember such a loan and suggested that the governor had been mistaken.[6] Both the CAs and CO were no doubt aware that public knowledge of the advances could negatively effect colonial credit, and may

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[1] CAOG 9/25, CAs to CO, 28 June 1910.

[2] CO 96/321/20985, Graham, 22 Sept 1898.

[3] CO 273/332/16226, CAs to Col. Sec., 3 May 1907.

[4] NW: 12895/266; CAOG 9/25, Blake to HK, 23 Feb. 1906.

[5] CO 96/412/4505, Ommanney, 27 Feb. 1903; *ibid.*, Ommanney, 2 May 1903. In the event, the Agents financed the colony from the proceeds of the Transvaal loan (*ibid*, Blake, 16 May 1903).

[6] *PPE*, q. 1313-4.

have had doubts about the legality of the loans and feared criticism of the payment of bank interest.[1] They were also perhaps uncomfortable with the influence the banks had on policy. In 1889, for example, the BE only agreed to lend £250,000 to Ceylon on the understanding that the colony would issue a loan within 12 months, and that the flotation would in no case be delayed beyond 18 months.[2] Similarly, the Bank provided advances to Zanzibar in the expectation that the Agents would issue a loan by early 1900, and, when this failed to occur, demanded an explanation.[3] While, in 1900, the Agents, who had borrowed £73,500 from the LW on the security of legislative authority to issue loans of up to £108,721, had to request permission from the directors for a colonial government issue of £35,000.[4]

Finally, the Agents advised and assisted colonies in the issue of their own local loans. Although no official statistics exist, it would appear from CO and CA correspondence, that no more than £300,000 worth of such loans were floated during the period. The Agents, receiving no remuneration from their issue, generally advised against such loans, claiming that there was little demand for stock within colonies, and that, due to colonial governments' lack of experience and expertise, the flotations were expensive and resulted in low prices.[5] Exceptions were where a successful flotation, by reflecting the inhabitants' confidence in their future, would be likely to improve a colony's credit, and where money was urgently required, and there was no alternative source of funds.[6] In 1898, for example, the Agents advised British Guiana to raise £35,000 in the colony, as there was no possibility of obtaining the sum in

[1] In 1883, the BE questioned whether the Agents had authority to obtain such advances, pointing out that it was precluded from making government advances except under an act of Parliament (CAOG 9/213, BE to CO, March 1883). The CO replied that the Agents acted as representatives of the Crown colonies rather than on their own behalf (*ibid.*, CO to BE, 9 April 1883).

[2] CAOG 9/4, BE to CAs, 1 Aug. 1889.

[3] CAOG 9/122, CAs to BE, 11 May 1900.

[4] CAOG 9/71, CAs to LW, 15 Jan. 1900. The flotation would reduce the colony's collateral, but would be used to repay some of its advances. The bank eventually allowed the issue (*ibid.*, LW to CAs, 16 Jan. 1900).

[5] CAOG 9/100, CAs to CO, 16 Nov. 1908.

[6] CAOG 9/11, CAs to Natal, 22 Jan. 1885.

Britain and the Office was unable to provide further advances.[1] If an issue went ahead, the Agents, when asked, drew up the relevant ordinance, arranged the printing of the debentures/stock certificates, brought the loan to the attention of Scrimgeours and other stockbrokers, and gave general advice.[2] Occasionally, they would also manage the loan's SF, organise the payment of interest, and, from 1909, arrange redemption, charging their usual fees.[3] Generally, however, the whole issue was organised by the issuing colonial government.

3.3 Cost and Monitoring of the Service

The Agents' charges for the issue, conversion, management and redemption of loans and the provision of advances were relatively reasonable, set at a level that would neither discourage the issue of loans nor lead to calls for the abandonment of the Office in favour of the private sector. Issue costs were covered either by including the estimated amount in the loan, or selling the required amount of stock, after flotation. As bonds were numbered, the latter method could be used only in stock issues, for which it was generally preferred, as the danger that expenses would be greater than the amount reserved was avoided, and the colony saved, until the stock was issued, interest payments, and, from 1900, underwriting charges.[4] In the early days of the Agency there was no set fee for the issue of loans. Separate remunerations were negotiated for each issue.[5] In 1863, however, the new Senior CA, Sir Penrose Julyan, introduced a compulsory fixed charge of 1/2%, which incorporated the 1/4% fee paid to brokers for applications made through them (Table 10.1). As most subscriptions came through brokers, the Agency therefore received slightly over 1/4%, equivalent to £2,500 per million.[6] The fee continued to be charged until 1886, when, concerned at the fall in the Agents' income after the loss of self-governing colony business, the CO

[1] CAOG 9/71, CAs to BG, 19 Jan. 1900.

[2] eg. CAOG 9/39, CO to CAs, 1 July 1892; *ibid.*, Scrimgeours to CAs, 4 May 1893; CAOG 9/17, CAs to Col. Sec., 27 Jan. 1886; CAA: Weeded files a307, a316, a376, a460.

[3] eg. CAOG 9/49, memo, 19 Feb. 1895; CAOG 9/42, memo, 25 Oct. 1909; CAA: weeded files, a230.

[4] CAOG 9/48, CAs to Scrimgeours, 5 Sept. 1894; CAA: Memorandum, p. 16.

[5] CO 537/157, Julyan to Herbert, 23 May 1876.

[6] CO 323/591/9213, CAs to CO, 23 March 1912.

Table 10.1: CA and BE Issue Charges[1]

CA	BE
1880-86: £2,500 per million, excluding brokerage 1886-93: £5,000 per million, excluding brokerage 1893-1914: £2,500 per million, excluding brokerage	Self-governing colonies 1880-1908: £5,000 per million, excluding brokerage 1908-14: £2,500 per million, excluding brokerage India 1880-1914: £1,250 per million (fixed price loans) and £625 per million (tender loans), excluding brokerage

decided that the brokerage commission should be paid separately by colonies, but that the Agents' 1/2% fee should remain unchanged. The result was a rise in CA earnings, and, in 1893, the CO instructed that the Agents' fee should again incorporate brokerage. The charge from 1880-6 and 1893-1908 was therefore half, and, for the rest of the period, equivalent to that set by the BE for the issue of self-governing colony loans. Alternatively, it was up to eight times the Bank's rate for the flotation of Indian loans, and the 1908 enquiry, though accepting that the size of Indian issues allowed the Bank to make economies of scale, recommended a reduction in the Agents' issue fee.[2]

The Agents' management charge was originally 1/4% of interest payments made, but then, in 1886, rose to 1/2%, in response to the fall, in the previous ten years, in Crown colony loan interest rates, which had reduced receipts; the loss of responsible government income; and the introduction of inscribed stock, which increased the labour involved in the payment of dividends (Table 10.2).[3] The resultant rise in CA income, however, caused the commission in 1893 to again be set at 1/4%. The fees were lower than those charged by the BE to the self-governing colonies, even though

[1] CO 323/364/5665, CAs to CO, 2 April 1886; CO 323/393/11909, CAs to CO, 13 July 1903; CAOG 9/40, Antrobus to CO, 23 March 1912, p. 12. BE: AC 14/14, memo, 12 Aug. 1908.

[2] *PPR*, p. xix. This failed to occur.

[3] CO 323/364/5665, CAs to CO, 2 April 1886.

Table 10.2: CA and BE Management Charges[1]

CA	BE
1880-6: 1/4%, equivalent to: * £100 per million pa for 4% loans * £112 per million pa for 4 1/2% loans Average per loan: £104 per million pa 1886-93: 1/2%, equivalent to: * £150 per million pa for 3% loans * £175 per million pa for 3 1/2% loans * £200 per million pa for 4% loans * £250 per million pa for 4 1/2% loans Average: £192 per million pa 1893-1912: 1/4%, equivalent to: * £75 per million pa for 3% loans * £87/10/- per million pa for 3 1/2% loans * £100 per million pa for 4% loans Average: £85 per million pa 1912-14: £100 per million pa	Self-governing colonies 1880-85: £600 per million pa up to £10m, thereafter £550 per million 1885-95: £600 per million pa up to £10m, £550 per million pa up to £15m, £500 per million pa thereafter 1895-98: £500 per million pa up to £10m, £450 per million pa up to £15m, £400 per million pa thereafter 1898-1908: £200 per million pa 1908-14: £350 per million pa (stock), £200 per million pa (debentures) India (quarterly dividends) 1880-88: £300 per million pa, £450 per million pa if debt fell below £400m 1888-96: £360 per million pa 1896-1905: £360 per million pa for first £100m, and £100 per million pa for amounts over £100m 1905-14: £300 per million pa, if debt over £125m. If debt below £125m, £360 per million pa for first £100m and £60 per million pa for amounts over £100m

the Bank benefitted from economies of scale.[2] They were also less than the Bank's charges for managing Indian loans, as, although Indian dividends were paid quarterly, the extra work does not appear to have doubled costs, with from 1886-96 the Bank charging the IO £300 per million per year for the management of half yearly dividend

[1] CO 323/364/5665, CAs to CO, 2 April 1886; CO 323/393/11909, CAs to CO, 13 July 1903; CAOG 9/40, Antrobus to CO, 23 March 1912, p. 12. BE: G 23/70/61-2, BE to NSW/Queensland, 9 May 1898; G 23/67/127-8, BE to NZ, 12 June 1885; G 23/69/293, BE to NZ, 11 April 1895; G 23/70/59-60, BE to NZ, 6 May 1898; G 23/67/355, BE to IO, 19 Aug. 1887; G 23/68/76, BE to IO, 24 Jan. 1888; G 23/68/322, BE to IO, 12 Feb. 1896; AC 14/17, memo, 20 April 1914.

[2] In 1913, for example, the Agents managed £46m of loans, whereas the Bank managed £66m of New Zealand debenture/stock alone (CAOG 16/1, memo, 16 June 1914; BE: AC 14/17, memo, 20 April 1914).

loans.[1]

The Agents' conversion and redemption commissions were far higher than those charged by the BE, and were the subject of numerous colonial complaints (Table 10.3). In 1900, for example, Jamaica criticised the Office's proposed commission for the conversion of £1.5m of railway bonds, and proposed that the work be undertaken in the colony.[2] The Agents' defence was that the charges offset the losses made in the management of loans, due to the adoption from the mid-1890s of 3% interest rates, and partly subsidised the provision of miscellaneous services, the cost of which was not wholly covered by colonial annual contributions, and other duties, for which they received no fee.[3] In the case of Jamaica, for example, the Agency obtained an annual contribution for miscellaneous services, involving £78,000 pa worth of business, of only £150 pa.[4] Moreover, it was argued that they rarely received the full redemption commission, owing to conversion, the decision not to charge the full fee for loans with a short currency or not issued by themselves, and the reluctance of many self-

Table 10.3: CA and BE Conversion and Redemption Charges[5]

	CA	BE
Conversion	1880-87: £5,000 per million 1887-1912: £2,500 per million 1912-14: £1,000 per million	1880-1908: £1,000 per million 1908-14: £600 per million
Redemption	1880-1912: £5,000 per million 1912-14: £1,000 per million	1880-1914: £1,000 per million

[1] In 1914, the Bank managed £167m of Indian sterling stock loans (BE: AC 14/17, memo, 20 April 1914).

[2] CAOG 9/74, Hemming to CO, 10 April 1900. The colony claimed that, as the conversion was the result of a court case and the Agents had not arranged the terms, no advantage had been gained from their 'position and credit' (*ibid.*).

[3] *PPE*, q. 1249, 4181; CO 137/615/14855, CAs to CO, 11 May 1900.

[4] *Ibid.*

[5] CO 323/364/5665, CAs to CO, 2 April 1886; CO 323/393/11909, CAs to CO, 13 July 1903; CAOG 9/40, Antrobus to CO, 23 March 1912, p. 12. BE: AC 14/14, memo, 12 Aug. 1908; *ibid.*, memo, 20 April 1914.

governing colonies to pay the full remuneration.[1] For instance, in 1905 the Agents charged a fee of only £625 per month for the redemption of £12.9m of loans issued by the former S. African government, and, in 1912, the New Zealand High Commissioner refused to pay more than £1,000 per million for the redemption of loans issued by the Agents in the 1870s.[2] In addition, in the case of conversion, no charge was made for short-dated bonds convertible to stock, and, in 1904, the Agents discovered that, due to an oversight, they had failed, since 1883, to collect commission on the conversion of £1,258,800 worth of Natal debentures.[3] Despite these extenuating circumstances, however, the 1908 enquiry concluded that the Agents' redemption commission was excessive, and proposed that the Office should reduce the fee or set a consolidated charge that covered issue, management, and redemption costs.[4] The Agency decided to cut the redemption, and conversion charges, and slightly increase its management commission.[5] The consolidated fee proposal was rejected, as no other issuing house charged in this way, and comparison of costs would therefore be difficult.[6]

As regards the provision of overdrafts and advances, the cost of the former was recouped from the interest paid by borrowing colonies, and the latter from colonial annual contributions.[7] The size of the annual charges, however, failed to keep pace with the workload involved, particularly in the provision of advances, and, by the late 1890s, the cost was partly supplemented by the Agents' purchase and

[1] CAOG 9/40, Antrobus to CO, 16 Aug. 1912.

[2] *Ibid.*; CO 291/89/43316, CAs to CO, 6 Dec. 1905.

[3] CAOG 9/48, weeding document; CAOG 9/13, memo, 4 March 1904. Staff had assumed that the decision not to make a charge in 1883, because the 1882 loan was convertible to stock, applied to all Natal conversions. Although the unpaid commission amounted to £3,141, it was decided that no attempt would be made to reclaim the sum from the colony, though unpaid stamp duty was recovered (*ibid.*, memo, 19 April 1904; *ibid.*, memo, 11 Nov. 1904).

[4] *PPR*, p. xix.

[5] *Ibid.* The new charges did not apply to loans issued within colonies, by self-governing colonies, or redeemed by periodical drawings, or the 1901 Zanzibar 3% loan (*ibid.*).

[6] CAOG 9/40, Antrobus to CO, 23 March 1912, p. 12.

[7] CAOG 17/24, circular, 12 May 1886. The contributions were paid by 17 of the larger colonies, and, in 1908, ranged from £30 to £650 pa and totalled £3,100 (*PPE*, Appendix 3).

conversion/redemption commissions. An attempt by the Agents, in 1905, to reduce the workload through the introduction of a single account to contain all moneys, which would have eliminated the need to debit/credit the current accounts of the borrower/lender each time a loan was made, was blocked by the CO.[1]

The Agents could easily have increased the Office's and their own remuneration through deceit. CO monitoring of their activities was poor. The Office authorised all the Agents' actions, checked all loan ordinances drawn up by the Agency and sanctioned any subsequent alterations, and received a short report on issues, a monthly overdraft/advance schedule that listed borrowers and the amounts lent during the previous four weeks, and the Agents' half yearly accounts, which contained details of the income earned from their financial role. Apart from Ommanney, however, CO staff had little knowledge or interest in financial matters, and appear never to have checked the validity of the Agents' actions with an external expert.[2] The Agents could also easily encourage authorization through the provision of biased advice, or simply circumvent the CO entirely. In 1908, the Agency, wishing the Secretary of State to authorise the issue of a market loan for S. Nigeria, supplied him with details of the cost of raising such a loan, but not, as requested, that of obtaining a Treasury loan.[3] Likewise, although the Agents obtained permission to charge a 1/4% conversion fee for the 1887 Natal conversion from the Natal department of the CO, they failed to request authorization to charge this fee for all subsequent conversions, either from 'the general department (who are supposed to deal with CA charges) or, by the way, any other department in the Office from that day to this'.[4] While, in 1905 and 1906, the Agents instructed respectively Hong Kong and Ceylon to alter ordinances, again,

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[1] CAOG 9/234, memo, 10 Oct. 1905. The account, termed the Joint Colonial Fund, was eventually established in 1929 (*Abbott, A Short*, p. 40).

[2] In 1908, Butler, on accepting the Agents' advice on a S. Nigerian prospectus, concluded that 'it would be a serious responsibility to overrule the CAs and their brokers...I, at any rate, do not feel equal to criticising their belief that the statement suggested would prejudice...the loan' (CO 520/69/14128, Butler, 22 April 1908).

[3] CO 520/69/4195, CAs to CO, 5 Feb. 1908. The CO had to obtain the information from the Treasury (*ibid.*, CO to Treasury, 26 Feb. 1908).

[4] CO 137/615/14855, Round, 10 Oct. 1900.

without authorization from the CO.[1]

The overdraft/advance schedules and Office accounts also had a number of drawbacks. In the case of the overdraft/advance schedules, if a colony had not borrowed during the previous month, its total debts failed to be listed; an anomaly that, according to the Principal Clerk G.W. Johnson, made the return 'useless'.[2] There was also no distinction between current account overdrafts and advances, and, from approximately 1902, advances in anticipation of loans or for which security had been lodged were excluded from the returns, as, according to Blake, the loans were 'the sole concern of the Agents'.[3] As regards the Office accounts, they recorded only total receipts from each charge. Consequently, when, in 1879, the Agency received a fee of only 1/8% for the issue of the New Zealand loan, the other 1/8% being paid to the former Senior CA, neither the CO nor Audit Office noticed the irregularity.[4]

From 1880, there is no evidence whatsoever of fraudulent CA behaviour. Before then, however, there are several examples of corruption. Until 1863, when the new Senior CA, Sir Penrose Julyan, decided that all charges should be treated as Office income, the issue fees paid by the self-governing colonies that used the Agency's services were kept by the Senior CA. The CO appear not to have authorised the practice, though the Agents later claimed that it was 'practically recognised'.[5] More importantly, in 1876, it was discovered that Julyan and his fellow Agent Sargeaunt had accepted secret commissions. In 1871, with CO permission, Julyan had been appointed, in his private capacity, loan agent to the New Zealand government, a post that merely required the holder to choose who would issue each loan and then liaise between the issuer and the

[1] CAOG 9/25, Blake to Nathan, 10 Nov. 1905; CAOG 9/94, CAs to Ceylon, 8 Nov. 1907.

[2] CO 323/416/21917, Johnson, 18 Oct. 1897.

[3] CO 323/504/36392, Round, 21 Oct. 1905; *Ibid.*, Blake, 7 Nov. 1905.

[4] CO 537/218, Ebden, 16 March 1881. A proposal by Meade that the accounts should be rendered in greater detail was not put into effect (*ibid.*, Meade, 16 March 1881).

[5] CO 537/157, Julyan to Herbert, 23 May 1876.

government.[1] The CO assumed that, as New Zealand loans were generally floated through the CAs, the position was largely honourary and unpaid. In fact, it was discovered, from a complaint made privately by the New Zealand Agent-General, that Julyan and Sargeaunt had, from 1871-5, insisted upon and been paid fees amounting to £6,600 by the New Zealand government, who presumably feared that, if such sums were not forthcoming, the loans would not attain their best price.[2] Sargeaunt, at first, denied that any payments had been made. Julyan, however, accepted that they had been paid for their work, but argued that the commissions were quite unrelated to their positions as CAs; that as loan agent he had placed a great deal of issuing business in the hands of the CAs; and that, given their relatively meagre salaries, they had little alternative but to seek other sources of remuneration.[3] Unconvinced, the CO fined the two Agents £1,000, and instructed them never to act for any colony in any capacity other than collectively as CAs. Their salaries were also increased to reduce the need to earn extra income and increase the cost of dismissal, and a third Agent employed to lighten their duties.[4]

The CO's actions, however, failed to act as a deterrent to further fraudulent behaviour. In 1879, Julyan and the new CA Sir Montague Ommanney, accepted positions as loan agents for the New Zealand £2m issue. The loan was floated by the CAs, who received a commission of 1/8%, half their usual remuneration. The other 1/8%, £6,250, was paid to Julyan, who had retired four days before the loan was issued, supposedly for his work as a private individual after his retirement.[5] In reality, as Ommanney later admitted, Julyan had, on his retirement, given the New Zealand government an ultimatum that unless he received a commission he would cease to represent them, which would have a detrimental effect on the success of the issue.[6] On discovering

[1] *Ibid.*, Julyan to CO, 17 Feb. 1876.

[2] *Ibid.*, Herbert to Canarvon, 9 Jan. 1876.

[3] *Ibid.*, Julyan/Sargeaunt to CO, 17 Feb. 1876; *ibid.*, Julyan to Herbert, 23 May 1876.

[4] CO 537/217, Ebden, 22 Feb. 1881.

[5] CO 537/218, Ebden, 2 May 1881.

[6] *Ibid.*

the payment in 1881, the CO wrote a strong letter to Sargeaunt and Ommanney criticising them for their failure to inform the Secretary of State of Julyan's actions.[1] An attempt was also made to persuade Julyan to pay the honorarium into the CAs' Office Fund. Julyan, however, refused, arguing that the timing of the loan and his retirement were wholly fortuitous, and that the fee was genuinely paid for work performed.[2] After a further exchange of letters, the CO accepted defeat and decided 'not to pursue the matter'.[3]

3.4 Conclusion

In conclusion, Crown colony control of their UK finances would have greatly reduced the amount and increased the cost of the money raised, and may even have led to colonial bankruptcy. Unlike the commercial issuing houses, the Agents' very existence depended on the successful issue of loans, and they therefore did all they could to ensure the highest takeup of reasonably priced debentures/stock and to prevent broker moral hazard. The fact that the money raised would be spent on projects closely supervised by them and constructed with materials bought by them from the UK also attracted investors to Crown colony loans. While, by the 1890s the Agency had built up its own credit with subscribers, who purchased CA rather than Crown colony debentures/stock. Colonies with little or no credit could therefore make issues at prices far higher than would otherwise have been possible. Finally, the large balances under the Agents' control allowed colonies to obtain short-term finance at relatively low interest rates, and use of the Agency prevented colonial governments raising excess finance without CO authority.

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[1] *Ibid.*, CO to Ommanney/Sargeaunt, 2 June 1881.

[2] CO 537/219, Julyan to CO, 25 June 1881.

[3] CO 537/220, CO to Julyan, 14 Oct. 1881. On his death in 1907 Julyan left £36,620 (SH: Probate records).

Chapter Four: Post-1899 Provision of External Finance and the Management of Colonial Investments

The Chapter is divided into two Parts. The first, continuing the theme of the previous Chapter, describes how the Agents financed Crown colony infrastructure from 1899 to 1901, when the public and private issue of loans was not feasible, and how, when they re-entered the market, they attempted to strengthen the weak demand for Crown colony stock. After a brief digression on the remittance of colonial funds to the UK, Part two discusses the Agency's second financial role, the investment of Crown colony UK current account balances and the management of their UK investment Funds.

4.1 Post-1900 Period

In the late 1890s, Chamberlain's ambitious railway construction program greatly increased colonial demand for external finance. Acknowledging that a new source of funds would be required, he approached the Treasury, who, after much discussion, agreed to create a colonial development Fund financed by Post Office savings accounts.[1] In anticipation of the Fund's low interest long-term loans, the Agents were ordered to halt all loan issues, and meet colonial needs from floating balances and bank advances. Unfortunately for the Agency, the passage of the empowering legislation through Parliament was delayed. In July 1898, the first bill was withdrawn, when critics pointed out that it contained no opportunity for Parliamentary approval of loans. The omission was rectified, and a second bill presented in 1899. This, however, was halted when a small faction of the opposition proposed disabling amendments and requested a list of the loans to be made. On receiving the list, the Treasury had second thoughts about the entire scheme. The majority of the projects to be financed appeared to be unnecessary and unlikely to generate sufficient revenue for repayment. The Chancellor, consequently, demanded Treasury authorization of those loans that would be presented to Parliament. Chamberlain refused, but suggested that the Cabinet act as arbitrator; a proposal unacceptable to the Treasury, who

[1] *Carland, The CO*, pp. 154-69; Robert V. Kubicek, *The Administration of Imperialism* (Durham NC, 1969), pp. 80-8. The Treasury was responsible for the investment of such accounts, and, by the 1890s, they contained more money than could be profitably placed in the UK.

decided that the bill should be scrapped.

Aware that many projects had commenced on the expectation that the bill would become law, the Treasury agreed to pass the Colonial Loans Act, which provided loans for all the schemes that had been connected with the proposed Fund. The Agents, however, were reluctant to make use of the Act. The loans firstly constituted a first charge on the revenue and assets of a borrowing colony, which would thus have difficulty raising funds in the market at a reasonable price. Potential investors would be discouraged both by the lien itself and also its necessity, which suggested that the Treasury had little faith in the colony's ability to repay its debts.[1] Secondly, the need for funds to finance the S. African War caused the Treasury in August 1899 to increase the interest rates to be charged on the loans from 2 3/4% to 3 3/4%. Many of the loans were also insufficient for the designated projects, the cost of which rose constantly, and there was little likelihood that future Treasury help would be forthcoming. A 1903 CO request, for example, for the borrowing powers of Sierra Leone to be extended through a further bill was rejected by the Treasury.[2] Moreover, from the Agents' point of view, such loans carried a real and opportunity cost; the Agency had to receive, pay the interest on and redeem loans for no reward, and lost the fee that it would otherwise have earned from the public issue. Such loans also raised the spectre of Treasury intervention in future financial operations, and, more importantly, Treasury pressure for projects to be reduced in scope or undertaken by contractors rather than the department system, which assured CA purchase of construction materials. The Agents, consequently, used the loans only to pay off a number of the advances made during 1898/9, and to finance small projects in colonies that were unlikely to require further funds (Appendix 8).

Their opposition to Treasury aid left the Agents in a quandary. The Office required money to complete construction projects and to carry out new works, on which its

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[1] CAOG 9/66, CAs to Trinidad, 22 Jan. 1901; CO 520/69/5174, CAs to CO, 11 Feb. 1908.

[2] CO 96/412/4505, Ommanney, 27 Feb. 1903.

own survival depended, but had no means of obtaining fresh funds. The onset of the S. African war and large-scale high yield government borrowing and the Treasury's abandonment of the Colonial Development Fund had greatly reduced market demand for Crown colony stock, which could only be issued at a large discount. Similarly, current accounts, which were no longer swollen by the unspent proceeds of loans, had relatively small surpluses, most of which had already been advanced, and banks were reluctant to lend further sums and would eventually begin to demand repayment. To avoid financial crisis, the Agents abandoned the 10% margin between the size of advances and the value of supporting collateral, began to use colonial contributions to UK investment Funds as advances and sell Fund securities, and, in West Africa, raised capital from private sources.[1] The Agents first requested CO permission to use Fund contributions in March 1900 (Table 1).[2] It was proposed that they be allowed to advance only annual contributions to SFs, and that only those colonies empowered to borrow from the Treasury would obtain the loans. In return, each Fund would receive interest at bank rate and the unissued scrip of the borrowing colony's intended

Table 1: Fund Contributions Invested in Loan Scrip 1903-4[3]

Year	**Colony**	**Amount (£)**
1903	Gold Coast	84,777
	Lagos	154,098
	Sierra Leone	233,133
	Trinidad	5,390
1904	Gold Coast	59,566
	Lagos	63,113
	Mauritius	16,149
	Trinidad	13,111
1908	Gold Coast	214,065

[1] CAOG 9/71, CAs to BG, 17 April 1900.

[2] CO 323/452/9313, CAs to CO, 23 March 1900.

[3] CO 323/483/40333; CO 323/504/5969. Incomplete. No full record of these investments, which continued to be made after 1908, appears to have survived.

loan up to the value of the advance as security.[1] Repayment would be either in the stock of the loan when it was issued, which would help to ensure its success, or, if a Treasury loan was obtained, in cash. The Agents argued that, given the ability of borrowers to obtain a Treasury loan 'at any time', the scheme was safe, and the return 'somewhat more favourable' than that from ordinary investments.[2] The CO, however, was dubious. It was pointed out that the Treasury 'if approached...too long after the present time' could be unable to provide loans; the price of the scrip would be fixed by the Agents rather than the market; and that bank rate varied and was determined not by 'the credit of the lender, but by the general state of the money market'.[3] Nevertheless, aware of their 'urgent need of money', the CO gave the Agents permission to go ahead with the scheme.[4]

In April, the Agents requested authority to advance contributions to colonial Surplus Funds. SF contributions had failed to cover all the demands for capital, and the banks had required the repayment of £100,000 of advances.[5] The CO was again doubtful. The contents of Surplus Funds could be required at short notice, and it was therefore undesirable to lock them up in unissued scrip that could 'not be realised for the present or possibly for some time to come'.[6] There was also a feeling that, if the Agents were unable to provide advances in the normal manner, either expenditure should be halted 'until somebody will lend the colonies money on terms that are acceptable', or the Agents should be instructed to issue loans on the market whatever

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[1] CAOG 9/71, CAs to BG, 17 April 1900.

[2] *Ibid.*

[3] CO 323/463/40022, Round, 14 Nov. 1901; CO 323/452/9313, Antrobus, 24 March 1900; *ibid.*, Hamilton, 6 April 1900.

[4] *Ibid.*, CO to CAs, 29 March 1900. The CO failed, in its authorization, to reiterate that the contributions should only be advanced to colonies named in the 1900 Colonial Loans Act, with the result that the Agents continued to lend to Lagos long after it had exhausted its power to obtain Treasury loans (CO 323/483/40333, Round, 13 Nov. 1903).

[5] CO 323/452/12697, CAs to CO, 25 April 1900.

[6] *Ibid.*, Round, 26 April 1900. Ommanney argued that the fact that surplus revenues had been invested in a Fund rather than placed on deposit pre-supposed that they would not be required for 'a considerable time' (CO 323/452/17204, Ommanney, 22 June 1900). Round denied this (*ibid.*, margin note).

the price.[1] Such views, however, were strongly opposed by both Antrobus and Ommanney, who argued that West African railway expenditure was 'practically impossible to stop', and that Chamberlain 'would not contemplate either stopping the railway or other works, which are in the course of construction, or limiting the full discretion, which has hitherto been given to the Agents, as to when they should place loans on the market'.[2]

Before a decision could be reached, the Agents, believing that Surplus Fund contributions would also prove inadequate, requested permission to additionally advance contributions to those Saving Bank Funds that contained large sums invested in securities that could be 'readily realised in the event of a sudden demand for their resources'.[3] Ommanney and his colleagues were willing to consider the proposal, which, if it covered only the larger Funds would be relatively safe. Chamberlain, on the other hand, believed that all such Funds stood 'in an exceptional position' and rejected the scheme, though the advance of Surplus Fund contributions was permitted.[4] The Agents, however, refused to accept the decision, and, in June 1901, proposed that Sinking, Surplus and also Saving Bank Fund contributions be advanced to Zanzibar, which had FO authority to issue a guaranteed loan.[5] F.R. Round strongly opposed the proposal, drawing attention to the fact that the protectorate could not, if the market fell, borrow from the Treasury under the Colonial Loans act, and that the Agency envisaged the use of contributions to all rather than, as before, only the larger Saving Bank Funds. He also objected to the use of Crown colony Funds to support a protectorate, and argued that the Funds would, in the longer term, obtain a higher rate of return if immediately invested in 3 1/2% colonial stock, which, unlike Zanzibar

[1] *Ibid.*, Evans, 21 June 1900; CO 323/452/9313, Round, 26 April 1900.

[2] CO 323/452/12697, Antrobus, 2 May 1900; CO 323/452/17204, Ommanney, 22 June 1900.

[3] CO 323/452/17204, CAs to CO, 31 May 1900.

[4] *Ibid.*, CO to CAs, 28 June 1900.

[5] CO 323/463/19745, CAs to CO, 8 June 1901.

securities, would rise rapidly when the market improved.[1] Alternatively, Ommanney believed that the proposed loan's Imperial guarantee made the use of Saving Bank Fund contributions acceptable, provided that no more than 1/10 of any Fund was so invested.[2] Chamberlain agreed, and the Agents were allowed to put the proposal into action.[3] In November 1901, the CO again permitted the Agency to advance Saving Bank Fund contributions to Ceylon, though no more than 1/10 of each Fund could be advanced, and only Funds worth more than £10,000 and spread over a number of securities could contribute.[4]

Capital was secondly raised through the sale of securities held by colonial Funds.[5] Although Colonies generally pressed for such sales, the Agents were less enthusiastic. Disposals reduced a colony's potential collateral for future advances; in the case of Saving Bank and Currency Funds, coùld lead to problems if the Fund contents were required at short notice; and, owing to the fall in the market, could result in capital losses. When a colony was in need of money, the Agents therefore preferred to provide short-term loans, only resorting to Fund sales when these were no longer available or when the bank rate charged for the advances was higher than the interest earned by the securities that the colony wished to be sold. A drawback of this policy was that, if the Agents were ultimately forced to sell a colony's holdings, and the price of the securities had fallen since the decision to provide advances, the delay in selling could lead to a capital loss that exceeded the interest gain from the provision of short-term loans. Such a situation occurred on a number of occasions. In August 1898, for example, Mauritius, with the approval of the CO, asked the Agents to sell

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[1] *Ibid.*, Round, 11 June 1901. Moreover, the Zanzibar government had been the author of its own misfortunes, getting 'into difficulties partly through it having...acquired powers to borrow on terms on which no one is willing to lend' (*ibid.*).

[2] *Ibid.*, Ommanney, 11 June 1901.

[3] *Ibid.*, CO to CAs, 17 June 1901.

[4] CO 323/463/40022, CO to CAs, 19 Nov. 1901.

[5] In 1897 and 1898, the Agents realised respectively £43,000 and £35,790 of the Mauritius Surplus Fund and a British Guiana local debenture SF to pay for UK purchases (CO 323/416/14660, Round, 8 July 1897; CAOG 9/71, CAs to CO, 21 June 1899). In 1905, £15,000 of an India Passage Fund was sold to meet Fiji's overdraft (CO 323/504/29442).

Saving Bank Fund investments.[1] Instead, the Agency provided advances, generating, from August to October, a profit of £30 for the colony, as bank rate was lower than the securities' interest rate. Unfortunately for the Agents, when, in late October, the bank rate rose and the securities were sold, the price had fallen to such an extent that the colony obtained £527 less than could have been raised two months previously. The loss led G.W. Johnson to propose, unsuccessfully, that the Secretary of State should 'instruct the Agents more definitely as to the time at which they should realise'.[2]

In West Africa, infrastructure projects were part-financed from surplus revenues, inter-colony advances, and private capital. The Gold Coast and Sierra Leone, from 1901-14, invested respectively £3.1m and £167,146 of their surplus funds in the construction of public works.[3] Likewise, the N. Nigerian Baro-Kano line was financed by S. Nigerian advances lent at 3 3/4%.[4] In the Gold Coast, the Agents also made use of private capital. In 1900, the Ashanti Goldfields Corp. agreed to cover half the annual interest and SF charges on loans raised for the Tarkwa-Kumassi line, and to make up, for twenty years, the net earnings of the railway to £30,000 pa if they fell below this figure.[5] In return, the company obtained 1/5 of all profits, if earnings exceeded 4.5% of capital expenditure; a guaranteed transport per ton mile rate of 1/6d for imports and 1 shilling for exports; and an efficient means of transportation to its mines. Similarly, in 1902, the Osinu-Apadua road was part financed by the Goldfields of Akiu Ltd and other interested companies, who agreed to put up 2/3 of the capital.[6] Attempts to

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[1] CO 323/429/25604, Round, no date.

[2] *Ibid.*, Johnson, 4 Feb. 1898. A similar situation occurred in 1905. In September, the Agency disposed of Straits securities for $66,490 less than could have been obtained eight months previously, and the colony demanded that it be re-imbursed (CAOG 9/222, Anderson to Elgin, 12 Sept. 1907). Blake, believing the claim 'childish', refused, pointing out that the actual loss was only £241, as the majority of the securities had been sold to the Straits' Commissioner of Currency Fund, and, that since the proceeds were to be spent in the UK, they were unaffected by the February to September appreciation of the sterling/dollar rate of exchange (*ibid.*, Blake to Fiddes, 14 Nov. 1907; *ibid.*, Blake to CO, 24 Oct. 1907). The CO agreed, believing that the colony had made the complaint because it 'could not resist the temptation of having a fling at the CAs' (CO 273/332/37623, Hopwood, 29 Oct. 1907).

[3] Christian F. Tsey, *Gold Coast Railways* (Glasgow Univ. PH.D thesis 1986), p.183, Table 4; *PP 1913*, lviii (287), p. 31.

[4] CO 520/69/10585, CAs to CO, 24 March 1908.

[5] CO 96/365/7707, CAs to CO, 9 March 1900.

[6] CO 96/400/2661, CO to Goldfields of Akiu Ltd, 14 Feb. 1902.

obtain private finance for the Tarkwa-Prestea and Princisu lines proved more difficult. In 1903, a number of mining companies agreed to advance up to £150,000 at 5% for the construction of the Prestea line, and another mining company, backed by the Bank of British West Africa, offered to provide £70,000 at 3% for the Princisu branch.[1] Unfortunately for the colony, support for both schemes later collapsed. The organiser of the Prestea Syndicate died, and the Bank of British West Africa, on discovering that the Princisu loan would be repaid in Gold Coast stock, pulled out of the project.[2] In the case of the Prestea branch, however, in 1906 the Fanti Consolidated Mines Ltd, supported by the Union of London and Smiths Bank, agreed, after some negotiation, to provide up to £122,000 at 3% to be repaid in cash or stock towards the construction of the railway, and to make good annual receipts if they fell below 3.5% of capital expenditure.[3] On completion of the line, the company further agreed to finance the extension to Broomassie on similar terms.[4]

Finally, the Agents adopted a number of miscellaneous methods of financing colonies. In 1906, to avoid the issue of a £500,000 loan for the construction of the Kowloon-Canton railway, the Agency created a special Fund that received the annual repayments of the £1.1m loan the colony had made to the Viceroy of Wuchang, which was, in turn, financed by a loan floated in the UK.[5] The Fund contents were then lent to the colony, whose interest payments were used to pay the dividends due on the London issue. The Agency also allowed Tanjong Pagar Dock Board shareholders to take money owed to them by the Straits government in the form of stock in the colony's 1907 loan; from 1903-5 to finance the Sekondi-Kumassi line, created £63,000 of 3% Gold Coast stock, which it purchased itself on behalf of various colonial Funds; in 1899, proposed that Ceylon should raise finance through the issue of Treasury bills;

[1] CO 96/412/18397, Tarbutt to CAs, 21 April 1903; CO 96/412/19242, CAs to CO, 22 May 1903.

[2] CO 96/423/28192, CAs to CO, 11 Aug. 1904; CO 96/423/14326, CAs to CO, 22 April 1904.

[3] CO 96/449/28594, Butler, 23 Aug. 1906; CO 96/474/2064, note, 21 Jan. 1908.

[4] CO 96/474/17414, CAs to CO, 15 May 1908.

[5] CAOG 9/25, CO to CAs, 7 Feb. 1906; *ibid.*, CO to CAs, 24 Aug. 1906.

and asked a number of colonies to raise loans locally.[1] In addition, there is evidence to suggest that the Agents may have begun to issue loans for credit worthy colonies earlier than necessary, and used the proceeds, until they were required, as advances. In 1908, on receiving authority to issue a loan for S. Nigeria, Blake informed the Principal Clerk G.W. Fiddes that 'there is no longer any object in pushing the Ceylon issue'.[2] And, in 1914, the Agents lamented a fall in the market, as 'in ordinary circumstances we would have chosen a favourable moment for the issue of either a Ceylon or a Straits loan and the proceeds would have enabled us to provide for all the requirements we should have to meet'.[3]

In 1901, the Agents re-entered the market and issued a number of significant loans that eased finances.[4] The market for Crown colony loans, however, remained difficult, and the Agents to maintain subscription were forced to adopt a number of new strategies. They firstly set excessively generous terms. Although they claimed the contrary, the average yield of Crown colony loans at issue from 1903-14 was 0.2% higher than that of self-governing colony loans (Chapter three, Table 3.1). Secondly, they began to issue fixed price loans, and, for particularly difficult flotations, short-dated debentures convertible to inscribed stock at the option of holders. Fixed price issues supposedly increased public subscription, incorporating none of the risks associated with tender flotations, and ensured that issues, even if undersubscribed, had 'the appearance of a great success'.[5] They were therefore popular among underwriters,

[1] CAOG 9/80, CAs to CO, 13 Sept. 1906; CAOG 9/76, memo, 26 Jan. 1903; *ibid.*, memo, 23 Jan. 1903; CAOG 9/4, CAs to Ceylon, 6 Oct. 1899. £460,500 (9%) of the 1907 Straits loan was taken by shareholders (CO 273/332/16226, Fiddes, 8 May 1907). Treasury bills were high yield temporary securities issued in anticipation of the receipt of annual income. In 1899, for example, British Guiana was advised to issue a £108,721 local loan (CAOG 9/71, CAs to BG, 19 March 1900).

[2] CAOG 9/94, Blake to Fiddes, 16 April 1908.

[3] CO 323/631/50952, CAs to CO, 21 Dec. 1914.

[4] In 1903, the Agency also took charge of the proceeds of the £30m Transvaal loan, a portion of which it lent out to colonies in need of finance (CO 291/74/26286).

[5] CAOG 9/4, CAs to Ceylon, 24 Jan. 1902.

who often campaigned for their adoption. In the case of the 1902 Ceylon loan, for example, the fixed price 'was pressed upon us most strongly and made in effect a sine que non'.[1] A further advantage for brokers was that issues were closed immediately sufficient applications had been received. The 1902 Ceylon loan, for example, opened at 12pm and closed at 1.20pm.[2] Early closure reduced the amount of stock obtained by the public, which increased post-issue demand and prices, and prevented the late stagging of successful loans and the resultant post-issue fall in prices when those who had stagged sold.[3] In addition, the elimination of the need to allot stock pro-rata among applicants who had tendered at the same price reduced the Agents' administration costs. On the other hand, fixed prices in general laid the Agents open to the accusation that they had 'fixed the price too low and therefore given our principals away'.[4] The Agency, consequently, whenever possible, continued to use tenders.

The great advantage of convertible debentures, known in the City as *floaters*, was that their high dividends, short lifespans, par redemption rate, and usefulness as collateral meant that many brokers bought them to hold, at least until conversion.[5] In addition, from the colonies' point of view, if a drawing SF was adopted, the debt could be discharged at the same rate of interest as the loan, with, from 1900, accumulative SF contributions often having to be invested in securities of a lower interest rate than that of the loan.[6] The principal drawback of the debentures, however, was the danger that the investors, at the end of the bond's lifespan, would redeem their holdings, forcing the colony to return to the market and issue a further loan.[7] Such an outcome was prevented through the adoption of drawing SFs, with all their attendant drawbacks for

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[1] *Ibid.*, Blake to Ridgeway, 9 Oct. 1902.

[2] CO 323/474/3803, memo, 29 Jan. 1902.

[3] CAA: Memorandum, p. 15.

[4] CAOG 9/25, CAs to Col. Sec., 23 Feb. 1906.

[5] CAA: Memorandum, p. 10; CAOG 9/25, Blake to CO, 13 Dec. 1905.

[6] *Ibid.*

[7] CAOG 9/76, CAs to CO, 19 July 1905.

investors; the promise of preferential allotment to applicants who gave an undertaking to convert; the provision of a relatively large first dividend if conversion occurred by a specified date; and, most importantly, the highly favourable conversion terms, which became less advantageous as the debentures matured (Table 2).

Table 2: Percentage Gain from Immediate Conversion to Stock[1]

Year	Issuing colony	Percentage gain
1904	Sierra Leone	7
1907	Straits	6
1908	S. Nigeria	5
1909	Gold Coast	4
1911	S. Nigeria	4.5

The CO strongly opposed the use of such bonds, which they believed to be an 'antiquated system of borrowing' that did little to improve demand, and incorporated, in their dependence on holders converting, a dangerous 'element of speculation'.[2] In addition, they were often outraged by the high conversion terms offered. G.W. Fiddes, for example, believed that the terms of the 1909 Gold Coast loan, were 'not a very splendid bargain' for the colony.[3] While he regarded the rate for the 1904 Sierra Leone issue to be excessively generous, and commented that the Agents were prepared to obtain money 'at any price'.[4] The CO also objected to the Agents' tendency, in their issue of such bonds, to blatantly ignore colonial ordinances. In the case of the 1907 Sierra Leone loan, for example, the Agents failed to abide by a regulation that required government contributions to the bonds' SF to be made half yearly.[5] Since the bi-annual determination of the amount of bonds that remained unconverted would greatly increase their costs, the Agents made only annual contributions to the Fund.

[1] GL: Prospectuses. Percentage gain = (100 - conversion rate) + (100 - fixed price). Except for the 1909 Gold Coast loan, the percentage conversion gain would be offset, over the lifetime of the debenture, by the lower stock dividends.

[2] CO 129/330/36884, Ommanney, 21 Oct. 1905; CO 129/330/44106, Fiddes, 15 Dec. 1905.

[3] CO 323/564/2287, Fiddes, 1 Feb. 1910.

[4] CO 129/330/44106, Fiddes, 15 Dec. 1905.

[5] CO 267/527/30679, CAs to Col. Sec., 29 Nov. 1907.

The CO, as this was 'the second recent occasion in which...(they)...have ignored the law', sent the Agency a strong letter of condemnation.[1] Similarly, in 1910, the Agents, when issuing the Gold Coast loan, ignored the ordinance ruling that conversion could only occur when the debentures had a higher rate of interest than the stock into which they were to be converted. Fiddes believed it was 'a very serious business to find that they are capable of breaching the law in this way', adding that 'if they can do this they can do anything'.[2] His colleagues agreed, and the Agents were again warned not to act illegally.[3]

Demand was further increased by BE and CA purchase of debenture/stock, the removal of first liens, and the 1900 passage of the Colonial Stocks Act. From 1905-11, the BE bought, through Mullens Marshall, £1.075m of stock at or below the minimum price (Table 3). As in the early 1880s, it seems likely that the acquisitions were made at the request of the Agents, who provided the Bank with a great deal of business for little financial return. Until the turn of the century, the Agents themselves rarely took part in issues, largely because there was little need, they lacked the necessary resources, and, as reserved stock could not be listed, they had to tender for the amounts required.[4] The Office, in 1883, applied for and obtained, on behalf of four colonial Surplus Funds, £6,600 of the Ceylon loan at a premium of 7 shillings to the minimum price, and, in 1892, unsuccessfully tendered for £20,000 of the Trinidad issue.[5] From 1902, purchases increased, partly because, by reducing the amount of stock that had to be off-loaded onto the public, such acquisitions encouraged and reduced the cost of underwriting. The Agents also had greater resources, owing to the expansion in the number and size of colonial Funds and the

[1] *Ibid.*, Fiddes, 23 Dec. 1907. This proved ineffective, and, by 1909, the Agents had reverted to their former practice, claiming, when discovered, that the requirements of the ordinance and prospectus were incompatible (CAOG 9/156, CAs to Col. Sec., 12 July 1910).

[2] CO 323/564/2287, Fiddes, 1 Feb. 1910.

[3] *Ibid.*, CO to CAs, 17 Feb. 1910.

[4] CAOG 9/18, CAs to CO, 8 April 1892.

[5] *Ibid.*; CAOG 9/3, note, Nov. 1883.

Table 3: CA and BE Purchases of Stock 1901-14[1]

Year	Loan/Amount (£)	Purchaser	Amount Purchased (£)
1901	British Guiana 100,000	CAs	73,300
1902	Trinidad 200,000	CAs	80,400
	Gold Coast 1.035m	CAs	160,000
1905	Lagos 2m	CAs	100,000
		BE	150,000
1907	Straits 5m	CAs	1.7m
1908	S. Nigeria 3m	CAs	100,000
		BE	500,000
1909	Gold Coast 1m	CAs	100,000
1910	Straits 2.75m	CAs	n/k
1911	S. Nigeria 5m	BE	425,000
1914	Trinidad 550,000	CAs	500,000

issue of relatively large loans, the unspent proceeds of which were available for investment. Furthermore, a change in Stock Exchange rules allowed them, through 'firm underwriting', to reserve stock. Consequently, from 1901-14, the Agency bought £2.8m of stock in nine issues (Table 3). Among issuing houses, such purchases were not unusual. Both the BE and LW tendered, usually at the minimum price, for portions of loans they were in the process of issuing. The BE, for example, agreed to tender for £250,000 of the 1897 New Zealand, and £200,000 of the 1893 Queensland issues.[2] Likewise, the LW applied for £274,400 of the 1906 New South Wales loan, and £250,000 of the 1890 Cape issue.[3]

The Agents, additionally, began to purchase stock immediately after issue. Such acquisitions helped to rid underwriters of their allotments, which encouraged them to

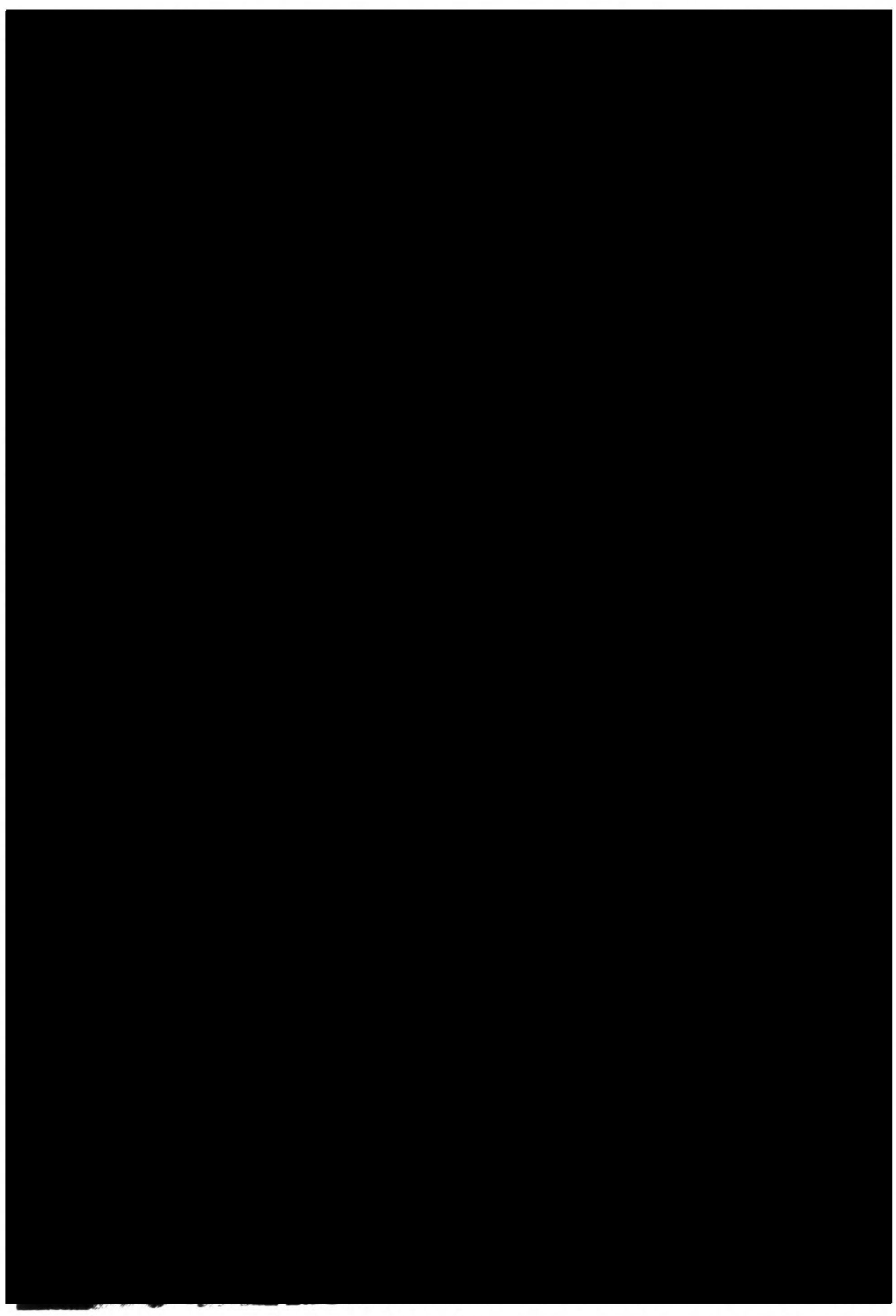
[1] CAOG 9/36; CAOG 9/66; CAOG 9/70; CAOG 9/76; CAOG 9/81; CAOG 9/86; CAOG 9/105; CO 520/69/16505. BE: ADM 7/56/1228; ADM 7/58/1216; ADM 7/58/1234.

[2] BE: AC 30/8, BE to NZ, 23 July 1897; AC 30/117, BE to Queensland, 11 Jan. 1893.

[3] NW: 12914/229; 12911/32. See also 12909/378; 12910/201; 12911/168.

Millbank Offices[1]

Main Staircase, Millbank Building[2]



[1] *The CAs' Quarterly Review*, 2 Oct. 1976, p. 21.

[2] *Crown Colonist*, August 1933, p. 353.

underwrite further loans; prevented dramatic price falls that could effect the credit worthiness of issuing colonies; and, as prices were at a discount but could be expected to rise after the stock had been absorbed, represented a good investment.[1] Purchases were generally held for one or two years, and then sold and the proceeds invested in more new stock.[2] Similar purchases were again made by other issuing houses. The LW, for instance, bought £100,000 of the 1909 W. Australian loan six days after issue; in June 1910, agreed to purchase £100,000 of the stock of that year's W. Australian issue on the market; and, in 1914, bought £23,000 of S. African debentures two months after issue.[3]

The CO generally accepted both types of purchase, raising objections only in 1907 with regard to the issue of the Straits loan. Expecting demand to be low, the underwriters would only support the loan if the Agency agreed to devote £500,000 to market purchases if the stock fell to a discount after issue.[4] The Agents, who also agreed to reserve £700,000 of the loan for themselves, then, on the first day, bought a further £1m, claiming that they had little choice. Only 15% of the loan had been subscribed by the public, and the underwriters, who had only expected to take 50%, threatened to immediately off-load their allocations unless the Agency acted.[5] The CO, however, was displeased by the 'shifts and expedients for getting off the loan', and regarded the purchase as 'half way' to a 'bogus subscription'.[6]

The purchase of debenture/stock was also encouraged by the removal of first liens. The Jamaica and S. Nigeria Treasury loans were repaid early, with, in the case of S. Nigeria, the requisite finance being raised by the 1905 issue.[7] Similarly, in 1899,

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[1] CAOG 9/101, Antrobus, 25 Feb. 1911.

[2] CAOG 9/122, CAs to F.O., 1 Aug. 1905; *ibid.*, memo, 4 March 1907.

[3] NW: 12915/212; 12915, 2 June 1910; 12917/220.

[4] CO 273/332/16226, CAs to Col. Sec., 3 May 1907.

[5] *Ibid.*, CAs to Col. Sec., 3 March 1907.

[6] *Ibid.*, Churchill, 9 May 1907; *ibid.*, Fiddes, 8 May 1907;

[7] CAA: Weeded file, a144.

Chamberlain persuaded the Treasury to convert a Gold Coast War Office debt, which had acted as a lien, into a special grant-in-aid.[1] In 1900, the Agents also strongly lobbied for the inclusion of Crown colony issues in the Colonial Stocks Act, which allowed trustees to invest in colonial inscribed stock even when they were not otherwise permitted to do so by the terms of their trust deeds.[2] The act supposedly increased the demand for colonial issues, and enabled many colonies, who had previously been debarred from the market, to issue on reasonable terms.[3] In fact, although the exclusion of the Crown colonies from the act would have made their loans less competitive than those of self-governing colonies and greatly reduced subscription, it seems unlikely that their inclusion significantly increased demand. Many trust deeds permitted the purchase of colonial stock before the act, and a large number continued to exclude colonial investments after its passage.[4] Moreover, few trusts made fresh investments after their initial formation, the act did not cover protectorates, and, in order to comply with its requirements, colonies had to pass costly fresh legislation to ensure interest payments and prevent default.[5]

The adoption of the strategies described above and the upturn in the market from approximately 1904 had little effect on subscriptions. From 1904-14, 71% of the loans floated were undersubscribed. Crown colony issues found it difficult to compete with foreign issues, which offered relatively high rates of return, and, because of the unexpectedly high cost of railway construction and the Agents' reluctance and inability to float loans earlier, issues were far larger than market demand. In addition, many of the issuing colonies were practically unknown to the general public, and, in

[1] *Kubicek, The Administration*, pp. 314-5.

[2] CO 323/453/18747, CAs to CO, 13 June 1900.

[3] *Kesner, Economic Control*, pp. 82, 87-9. this ?

[4] D. Jessop, 'The Colonial Stock Act of 1901', *Journal of Imperial & Commonwealth History*, 4 (1976), pp. 154-63.

[5] CAOG 9/88, C.O to CAs, 21 Aug. 1903; *ibid.*, CO to CAs, 29 March 1901.

the City, some were regarded as poor risks; the credit worthiness of the Gold Coast, for instance, was effected by the Ashanti wars and the gold mining boom. Investors, by 1904, were also beginning to become aware, through press reports and parliamentary questions, that the West African railways were not commercially viable, and many institutional investors, in particular the insurance companies, who had previously subscribed, began to take stock on underwriting terms.[1] Moreover, the Agents were often forced to issue at unpropitious times, owing to urgent colonial needs for finance or CO interference. For example, the 1905 Mauritius loan was floated because the Office could no longer obtain advances for the colony, and the timing of the 1907 Straits issue, partly raised to pay compensation to Tanjong Pagar dock shareholders when the dock was taken over by the government, was dictated by the court that awarded the compensation.[2] Similarly, the 1905 Lagos loan was delayed by a CO request for advice on whether it should be issued on the combined revenues of Lagos and Nigeria, and the 1908 S. Nigerian issue by the Secretary of State's deliberations on whether a Treasury loan should be obtained.[3] On both occasions, the delays caused the Agents to miss upturns in the market. The Agency was also occasionally the victim of unforseen events. For example, the 1906 Hong Kong and 1908 S. Nigerian loans were effected by sudden falls in demand caused by respectively the conference of Algeeiras and 'bad news from India'.[4] While Blake, occasionally suggested that issues were deliberately sabotaged. The failure of the Straits loan, for instance, was partly blamed on 'the enemies of the colony and of the Office', who had begun rumours that the issue would be undersubscribed.[5] ?

Many, however, suspected that a large number of the failures were the result of incompetence on the part of the Agency. City issuing houses, who, after unsuccessful Crown Agent flotations, had to postpone their own issues until underwriters had

[1] CAOG 9/86, CAs to CO, 31 July 1902; CAOG 9/36, CAs to Straits, 21 Oct. 1910.

[2] CAOG 9/77, CAs to Mauritius, 21 Dec. 1905; CO 273/332/16226, CO to Col. Sec., 3 May 1907.

[3] CO 147/177/6936, CAs to Col. Sec., 3 March 1905; CO 520/69/16505, CAs to CO, 8 May 1908.

[4] *Ibid.*; CO 129/336/6544, Blake to HK, 23 Feb. 1906.

[5] CO 273/332/16226, CO to Straits, 3 May 1907.

relieved themselves of unsold stock, expressed their views through the press. In 1905, the *Daily Graphic* reported that financiers believed that the Agents did 'not understand their business', and, in 1903, the *Westminster Gazette* advised the Agency to take 'a lesson in their business...from the BE'.[1] The Agents dismissed such comments, arguing that they emanated from 'enemies, whose constant aim is to destroy our business and to get it into the hands of the City'.[2] Similar criticism came from the colonies and CO. Discontent in the Straits reached such a pitch in 1906 that the legislative council proposed that the colony should abandon the Agency for the forthcoming £5m loan.[3] While Antrobus believed the CAs report on the 1905 Lagos loan to be not 'very convincing', the Clerk A.J. Harding dismissed the reasons put forward for the failure of the Mauritius issue as an 'apologia', and Fiddes regarded the Agency's explanations for the poor response of the 1906 Hong Kong loan to be 'more ingenious than convincing'.[4]

The Agents, who, owing to the 'extraordinary difficult and thorny question' of West African railway construction, were able to devote little time to financial matters, certainly made mistakes in their analysis of the market.[5] In December 1909, for example, whereas they and Scrimgeours claimed that there was a 'favourable opportunity for placing' the £1.5m Ceylon loan, the *Sunday Times* believed that they were 'courting failure', a prediction subsequently proved correct when the issue received only £150,000 worth of applications.[6] Likewise, the 1905 Lagos loan was partly issued on the basis of the success of an earlier Cape flotation, which was

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[1] CO 129/336/6544, *Daily Graphic*, 23 Feb. 1906; CO 167/773/45066, *Westminster Gazette*, 19 Dec. 1905.

[2] CO 273/332/16226, Blake to Fiddes, 8 May 1907.

[3] CO 273/322/11688, CAs to CO, 2 April 1906. In response, Blake pointed out that the leading critic, G.S. Murray, was the manager of 'one of the local banks', and that 'the reasons for his remarks would therefore appear to be apparent'. Lucas, however, reported that both the present and previous governors of the colony 'have spoken to us in high terms of Mr Murray. Sir S. Anderson would like him to be knighted' (*ibid.*, Lucas, 4 April 1906).

[4] CO 147/177/6936, Antrobus, 21 March 1905; CO 167/773/45066, Harding, 23 Dec. 1905; CO 129/336/6544, Fiddes, 27 Feb. 1906.

[5] *PPE*, q. 1123.

[6] CAOG 9/94, CAs to Ceylon, 17 Dec. 1909; *ibid.*, *Sunday Times*, 13 Dec. 1909.

subsequently found to have been undersubscribed.[1] While demand for the 1907 Straits loan was partly affected by the inability of those small investors who had stagged an earlier London County Council loan to sell at a premium and purchase Straits stock, owing to brokers, who had taken 50% of the Council's loan, releasing stock each time the price rose.[2] The Agents in their attempt to ensure success also tended to delay issues until conditions were judged to be appropriate. In many cases, however, the market fell, and they were forced to issue at an excessively low price. In the case of the 1910 Straits loan, for instance, the Agents deferred flotation in December 1909, confident that the market would improve. In fact, conditions worsened, and the Office was forced to issue the loan in September 1910 at a price lower than could have been obtained the previous December.[3]

Concerned at the Agency's poor performance, the CO increasingly began to intervene in the issuing process. In 1905, the CO opposed the Agency on four separate occasions. In May, it insisted that the Lagos loan be issued as stock rather than, as proposed, in the form of debentures. The Agents, themselves doubtful as to the suitability of bonds, acquiesced, though Blake later complained that, when the issue proved only 'a qualified success, the CO did not accept the responsibility'.[4] Later in the year, the Office strongly pressed the Agents to issue a Gold Coast loan. After a number of letters to this effect, Blake informed the Secretary of State 'that it is usual to leave such matters to our discretion'.[5] The CO then rejected the Agents' proposal to convert an earlier Mauritius debenture loan to lower interest stock. Although 'financially worthwhile', such conversion was argued to be politically undesirable, as the loan proceeds had been advanced to planters, who would demand lower interest

[1] CO 147/177/6936, CAs to Col. Sec., 3 March 1905.

[2] CO 273/332/16226, CO to Col. Sec., 3 May 1907. To determine the level of demand, the Agents had actually monitored the Council's issue.

[3] CAOG 9/36, Anderson to CO, 18 Oct. 1910.

[4] CAOG 9/25, Blake to Ommanney, 21 Nov. 1905.

[5] ..G 9/76, Blake to CO, 21 Aug. 1905.

rates and the extension of repayment periods.[1]

The Agent/CO relationship finally broke down at the end of the year, when the Secretary of State expressed his reservations as regards the Agents' inten~~s~~ion to issue t the forthcoming Hong Kong loan in the form of convertible debentures. Although the Office agreed to instruct the colony to pass an amendment to its loan ordinance that would allow the sum required to be raised as either stock or bonds, Blake was warned that 'very cogent reasons' would be required before the use of debentures was sanctioned.[2] Blake's reaction was to write personally to Fiddes, drawing attention to the fact that 'it has always been held in the past that the Agents ought to have a free hand in such matters, and that the CO should confine themselves to expressing an opinion on our actions'.[3] A letter was also despatched to Ommanney, expressing the view that the warning 'implied' that the Agents did not 'know their business' and that 'the Secretary of State has to teach us', and requesting that, to avoid 'sharp opposition', the offending words be withdrawn.[4] In addition, Blake, believing the CO's alteration of the ordinance to be inadequate, directly instructed the colony to pass his own amendment.[5]

In his reply, Ommanney adopted a conciliatory approach, claiming that the Office had been 'anxious to show the utmost deference to your opinion', but refused to withdraw the warning. Feeling that he had no alternative, Blake therefore wrote an official letter of complaint, which significantly received no reply.[6] On discovering, a few weeks later, that his own ordinance amendment had arrived in the colony too late to replace the CO's version, he also warned the Secretary of State that the new amendment was inadequate. Not only did it contain an inaccurate reference to the loan ordinance, but

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[1] CO 167/773/15872, Harding, 12 May 1905.

[2] CAOG 9/25, CO to CAs, 3 Nov. 1905.

[3] *Ibid.*, Blake to Fiddes, 7 Nov. 1905.

[4] *Ibid.*, Blake to Ommanney, 21 Nov. 1905.

[5] *Ibid.*, Blake to Nathan, 10 Nov. 1905.

[6] *Ibid.*, Blake to CO, 13 Dec. 1905.

its inappropriate wording could lead to repayment difficulties.[1] The CO was unconvinced. It was discovered that Blake's first point was based on the reading of an out-of-date ordinance, Fiddes was 'unable to see' his second argument, and Ommanney believed that there was no 'real foundation to...Blake's difficulty'.[2] In their investigation of the criticisms, however, a real fault was discovered in the amendment, which, as there was insufficient time before the issue to pass a replacement, was scrapped.[3]

Emboldened by their stand against the Agency, the CO stepped up their interventions. In 1906, for example, the Office replaced an Agency amendment to a Straits ordinance. The Agents objected, and the argument raged for several weeks until Lucas, fearing that 'we shall go on corresponding till doomsday', arranged a meeting with Blake, after which the Agents dropped their opposition to the clause.[4] Similarly, again in 1906, the Office refused to accept the Agents' claim that they could no longer finance the Straits. It was believed that the colony's needs could be met by sales of Surplus Fund securities and the issue of Treasury bills.[5] The Agents disagreed, and there followed a further exchange of letters and 'ill-feeling'.[6] While, in 1907, the CO criticised the Agents for instructing Ceylon to alter an ordinance without authorization.[7] In response, Blake wrote a personal letter to Lucas, which pointed out that the action was taken to prevent the colony passing an incorrect ordinance and disparaged the CO's interference in the Agency's affairs. He also stated that he believed the 'rebuke administered...(was)...disproportionate to the offence' and asked

[1] CO 129/336/2919, CAs to CO, 26 Jan. 1906.

[2] *Ibid.*, Fiddes to Blake, 31 Jan. 1906; *ibid.*, Ommanney, 3 Feb. 1906. When given the opportunity to withdraw his first point, Blake refused, claiming that it was the later edition of the ordinance rather than himself that was wrong (*ibid.*, Blake to Fiddes, 1 Feb. 1906).

[3] *Ibid.*; *ibid.*, CO to CAs, 7 Feb. 1906.

[4] CO 273/322/7309, Cox, 12 March 1906; CO 273/322/10776, Lucas, 30 March 1906.

[5] CO 273/322/30972, CO to CAs, 28 Aug. 1906.

[6] *Ibid.*, Fiddes, 24 Aug. 1906.

[7] CAOG 9/94, C.O to CAs, 19 Nov. 1907.

for the criticism to be withdrawn.[1] When an apology was not forthcoming, Blake, ignoring a plea from Lucas to 'let the matter drop', wrote a further official letter of complaint, which concluded with the observation that the Agents, unlike the CO, took account 'of the intrinsic merits and necessities of each question as it arises rather than questions of form'.[2] Not surprisingly, the letter went unanswered.

After the enquiry and Blake's retirement, CO intervention in loan issues greatly increased. From 1910, when they ignored a CO request for certain financial details to be included in the prospectus for the Straits loan, the Agents had to pass all prospectuses to the Secretary of State for authorization.[3] In addition, from approximately 1909, they had to obtain official approval of prices and terms from both the CO and colonies, though these could be altered if, immediately before an issue, market conditions changed.[4] The CO and colonies also began to play a more important role in the determination of the timing of issues. In 1914, for instance, the CO suggested that, given the state of the market and its non-urgent character, the 1914 Gold Coast issue should be postponed until the legislative council had passed a new ordinance.[5] While, again in 1914, the Agents followed Ceylon's recommendation that its loan should be issued immediately rather than, as they had proposed, delayed for a few months in the hope of a higher price.[6]

4.2 Management of Colonial Investments

The Agents' second financial function was the investment of colonial UK current account surpluses, known as floating balances, and contributions to colonial Funds. Fearing losses and colonial criticism, the Agents adopted a low risk strategy for both

[1] *Ibid.*, Blake to Lucas, 20 Nov. 1907.

[2] *Ibid.*, Blake to CO, 6 Dec. 1907.

[3] CO 273/364/32074, Cox, 20 Oct. 1910. The CAs claimed that they had been advised by Scrimgeours that the statistics were unimportant and apologised for their exclusion (*ibid.*)

[4] CO 295/494/4546, Winfield, 6 Feb. 1914.

[5] CAOG 9/23, CO to CAs, 21 Feb. 1914.

[6] CO 54/775/6200, CAs to CO, 17 Feb. 1914; CO 54/775/10373, CAs to CO, 9 March 1914; CO 54/775/11907, CAs to CO, 31 March 1914; CO 54/775/12043, CAs to CO, 1 April 1914.

sets of investment. Floating balances contained the money remitted by colonies to the Agents to pay for UK transactions, and the unspent proceeds of loans. Colonies could remit funds in two ways. They could, firstly, purchase and despatch to England bills of exchange payable at a set future date, generally 90 days after acceptance. On receiving the bills, the Agents either immediately sold them on the discount market through their bill brokers, R.W. Carter & Co., who worked for the Office continuously from 1861, or waited for them to mature.[1] For the colony, the advantage of this method of remittance was that it paid no brokerage fees, and the bills could be purchased on relatively good terms, as the selling bank had use of the money at no interest for the time it took the bills to arrive in London and during the 90 day discounting period. Alternatively, colonial banks' 1/2% sales commission was far higher than the 1/16% charged by London banks, and the colonies suffered an opportunity loss equal to the current interest rate on the value of the bill during the period of despatch and discounting.[2]

The second method of remittance involved the Agents in London selling a bill drawn on the colonial government. The Agents obtained the money required immediately, and the bill was mailed to the colony, where the selling bank would receive its value from the government. The colony benefitted from the London banks' lower sales commission, and the opportunity gain during the time it took the bill to arrive in the colony. However, to cover the risk that debts would not be met and their opportunity loss, the London banks sold bills on relatively poor terms, and the colonial government had to pay brokerage costs. To obtain the best price before selling a bill drawn upon a colony, the Agents' brokers visited all the banks with an interest in the colony to discover the price each was prepared to pay for the whole, or, more generally, a proportion of the amount available.[3] If an offer was obtained for a portion of the amount, this was used 'as a lever wherewith to obtain from the others an

[1] CO 111/539/38390, CAs to CO, 19 Oct. 1903.

[2] CO 111/539/45969, CAs to BG, 22 Dec. 1903; *ibid.*, Bourne, 29 Dec. 1903.

[3] CO 129/330/35163, Carter to CAs, 12 Sept. 1905.

increase in their original quotation'.[1] No preference was given to the larger colonial banks, as, if this occurred, there was a danger that the UK banks would form themselves into a ring 'and agree among themselves a rate which would be mutually satisfactory'.[2] When the quotations of colonial banks were equal to those of the UK banks, however, the former obtained a larger proportion of the amounts offered.

A 1903 experiment found that the difference in cost between the two methods of remittance was slight.[3] From 1884 and the collapse of the Oriental bank, which led ~~to~~ a number of colonies to lose funds in the process of remittance, however, the Agents and CO generally encouraged colonial governments to adopt the second method of fund transfer.[4] Not only were London banks less likely to experience financial difficulties, but, as the Agents were relatively more aware of colonial UK needs, less money had to be remitted, and the opportunity cost of keeping large sums in the UK was reduced. In addition, the Agents saved the cost of selling bills in the discount market, and thus increased their earnings. Despite these advantages, however, a large number of colonies, including British Guiana, Trinidad and Jamaica continued to purchase and despatch bills to England.[5]

The amount of floating balances available for investment varied greatly, and was largely determined by the number and size of recent issues, and the rate at which the issuing colonies spent the proceeds. During 1909-14, the only period for which figures are available, balances averaged £2.9m, ranging from £1.7m in 1910 to £4.1m in 1912.[6] A small proportion of balances, at the end of 1908 £74,687 (10% of the total), was kept in the Agents' BE general account to meet anticipated colonial UK

[1] *Ibid.*

[2] *Ibid.*, CAs to CO, 2 Oct. 1905.

[3] CO 111/539/38390, CAs to CO, 19 Oct. 1903; CO 111/539/32258, CAs to CO, 28 Aug. 1903.

[4] CAA: O/Sec 12/3, p. 19. Colonial remittance was only recommended when the London market in bills that could be sold in a colony was restricted (CAOG 9/216, CAs to CO, 26 August 1908).

[5] CO 111/539/45969, Bourne, 29 Dec. 1903.

[6] CAOG 9/234, memo, March 1924; CAOG 9/276, Table 1.

requirements.[1] The account, like the others kept at the Bank, paid no interest, though the Bank provided various services for no charge and helped the Office in other ways. For example, it lodged colonial Fund stock certificates; proffered, when requested, advice on financial practices; supported loans; and, in 1903, to ensure that the Agents received the tendered amount of the vastly oversubscribed Transvaal loan, instructed its brokers, after the issue, to lodge a further £10m application on behalf of the Agency.[2] The remaining balances were advanced to colonies in need of finance, and, if there was insufficient colonial demand, placed on deposit with the LW, which, in September 1908, held £1.03m (27.5% of total balances).[3] The sums placed on deposit were generally lent at seven days call, and, because of their size, received relatively high interest rates that were determined at the end of each week.[4] If the sums were excessively large, amounts were placed with the Joint Stock and Union Banks.[5] Apart from a large portion of the Transvaal loan, which the BE wished to be placed with them to ensure the maintenance of high interest rates, no surplus balances were deposited at the BE.[6] The Bank refused to pay deposit interest rate, and charged self-governing colonies a commission of 1/4% for the investment of loan proceeds.[7]

A drawback of the Agents' floating balance investment policy was that, unlike the IO, who monitored balances on a day-by-day basis, the Agency, until 1912, reviewed balances only every fortnight, with the result that much money lay idle for relatively

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[1] CO 323/553/11325, CAs to CO, 1 Sept. 1909.

[2] CO 323/406/10278, CAs to CO, 12 May 1896; eg. CAA: General Guard book, 52, Urquart, 3 Sept. 1908; *ibid.*, 53, CAs to Brodie, 26 Sept. 1909; *ibid.*, 55, memo, 19 Oct. 1909; CAOG 9/204, BE to Blake, 9 May 1903. The Agents also held, at the Bank, a dividend account, used for the receipt of dividends from Fund investments, the contents of which were almost immediately transferred to the general account, and, until 1893, a special loans account, opened after the issue of loans to receive the proceeds (CO 323/453/28095, Lucas, 7 Sept. 1900; CAOG 9/10, BE, 27 March 1884). In addition, in December 1904, the Agents had general cash accounts at the LW and Standard Bank of South Africa, which held respectively £2,404 and £805, obtained from their work for New Zealand and Natal (CO 323/504/5969, CAs to CO, 22 Feb. 1905).

[3] CO 323/553/11325, CAs to CO, 1 Sept. 1909. In September 1909, the bank held £1,826,000, and, in October 1914, £930,300 (CAOG 9/24, CAs to LW, 19 Sept. 1905; CO 323/631/39645, CAs to CO, 13 Oct. 1914).

[4] *PPE*, q. 1207, 1210.

[5] *Ibid.*

[6] R.S. Sayers, *BE Operations 1890-1914* (London, 1936), p. 39.

[7] *PPE*, q. 1193; BE: AC 30/150, Queensland to BE, 7 Sept. 1897.

long periods.[1] Similarly, the balances of each colony were kept distinct and lent out separately. Pooling the balances would have allowed a smaller sum to be kept at the BE, and larger amounts to be advanced to colonies and deposited at the LW, who may have paid a slightly higher interest rate.[2] It was also claimed that greater returns could be obtained if the Office employed a broker to oversee investments, and at least part of the money was placed in securities or with a large number of competing banks.[3] The Agents rejected these complaints. It was argued that broker commissions would greatly increase costs, though, in 1913, the IO estimated that the use of a broker was actually cheaper than the employment of a permanent official.[4] Likewise, investment in securities, if money was required in an emergency and the market was low, could lead to capital losses.[5] In addition, colonies would have to pay brokerage fees, and the adoption of the practice in the 1870s had led to a 'good deal of trouble'.[6] Nevertheless, the Office, when assured that capital would not be required for long periods, was prepared to invest loan proceeds in short-term securities. In 1912, for instance, £1m of the £2.5m S. Nigerian loan was used to purchase New Zealand two year bonds, as the money was not needed for at least two years, and, even if this was not the case, the short-term nature of the bonds meant that they could be used as collateral or sold with little likelihood of loss.[7]

As regards the use of a greater number of banks, Ommanney believed that the LW provided security, and claimed that, even if joint stock banks offered better terms, he would 'think twice' before placing funds with them.[8] In fact, the LW at times paid

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[1] CO 323/591/9213, CAs to CO, 23 March 1912.

[2] Colonial balances were eventually pooled in 1928 (CO 323/1019/8, circular, 26 July 1928).

[3] The IO lent balances to those stockbrokers, banks and finance houses on its list of borrowers, and, from 1909, placed sums on deposit with a number of banks. Balance investments were managed by a broker, who received a percentage of the interest earned (*PP 1914*, xx (Cd 7071), p. 309; *PP 1914*, xx (Cd 7069), q. 2199, 10497, 10682, 10700-2, 10732-3).

[4] *Ibid.*, q. 1201, 10731, 10739; *PPE*, q. 1201.

[5] CO 273/253/32250, CAs to CO, 20 Nov. 1899.

[6] *PPE*, q. 1194.

[7] CO 520/118/18477, CAs to CO, 14 June 1912.

[8] CO 28/238/825, Ommanney, 17 Jan. 1895.

highly competitive rates. During the 1908 enquiry, it emerged that in 1907, when bank rate was 7%, the Agents 'got 7% on some occasions and...6% continuously', whereas the IO 'never got quite 7%, but got as high as 6%'.[1] Alternatively, in 1911, the Agents obtained a rate of only 2 1/2%, as compared with the 2.78% paid by those on the IO borrowers list.[2] At first, the Agents were equally opposed to the use of colonial banks, which generally paid rates higher than those current in the UK, but were believed to be inherently unsafe. In 1895, for example, the Agency asked the CO to require Barbados to withdraw part of the proceeds of the 1896 loan that had been placed with a local bank at 3 1/2%, 2 1/2% above the rate offered in London.[3] The bank held the local balances of many W. Indian colonies, and was heavily dependent on the local economy. Later, however, when colonial finances were tighter, the Agents were prepared to look more favourably at colonial investment. In 1908, a S. Nigerian request for £25,000 of the proceeds of the 1907 issue to be placed with the Bank of British West Africa was strongly supported. The bank offered interest of bank rate, 3 1/2%, as opposed to the LW's 1% and had authorised capital of over £1m.[4] Persuaded by the Agents' arguments, the CO allowed the deposit, which was followed in January 1909 by a further investment of £25,000; in November 1911, despite CO suspicion that the bank took 'exceptional risks', by a £50,000 to £100,000 deposit; and, in 1913, by a £100,000 investment.[5]

As well as floating balances, the Agents also managed Crown colony investment Funds and the SFs of self-governing colony loans issued by the Agency before the

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[1] *PPE*, q. 732, 1208.

[2] CO 520/109/37005, CAs to CO, 16 Nov. 1911; *PP 1914*, xx (Cd 7070), p. 328.

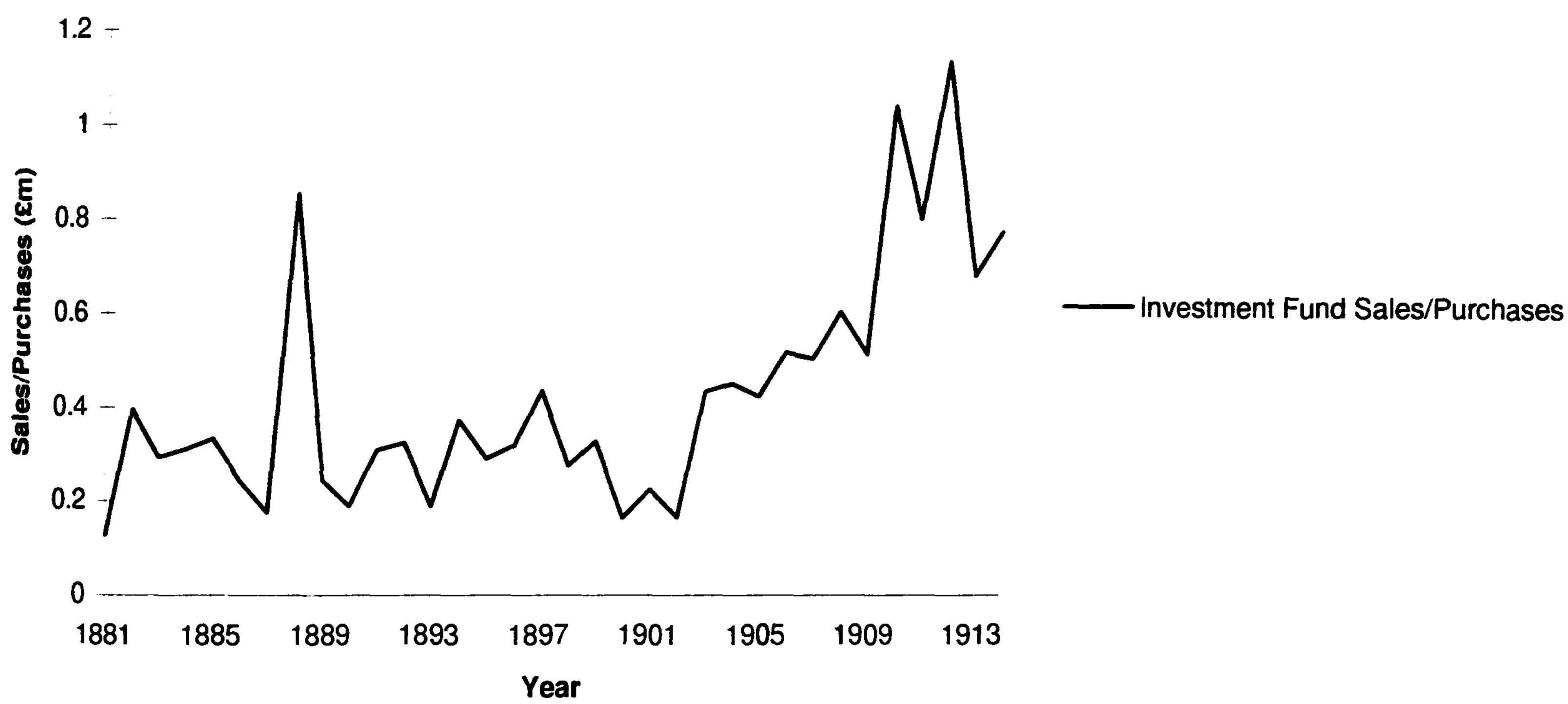
[3] CO 28/238/20574, CAs to CO, 18 Nov. 1895.

[4] CO 520/70/41598, CAs to CO, 13 Nov. 1908.

[5] CO 520/84/897, CAs to CO, 8 Jan. 1909; CO 520/109/37005, CAs to CO, 16 Nov. 1911; *ibid.*, Anderson, 17 Nov. 1911; CO 520/129/34784, CAs to CO, 6 Oct. 1913.

colonies gained responsible government.[1] The value of the Funds supervised rose from £3m in 1879 to £4.16m in 1887 (when there were 116 Funds), £11m in 1905 (in 231 Funds), and £22m in 1912 (belonging to 230 Funds).[2] The Agents generally attempted to minimise the number of Funds in existence, as 'the opening of numerous small accounts...imposes much labour and expense upon us, for which we are not paid'.[3] In 1906, for example, British Guiana, who proposed the creation of a reserve Savings Bank Fund, was advised to earmark a portion of the existing Savings Bank Fund as a reserve.[4] The Agents' management duties involved the investment of Fund contributions and interest, and, when necessary, the sale of securities, ensuring that any stipulations in Fund constitutions, as to the amount and type of securities to be held, were followed (Figure 1).[5] In return for these services, they received a fee of 1/4%, which they continued to charge when, from 1900, investments were transferred between Funds rather than bought/sold on the open market, and a 1/4% brokerage fee

Figure 1: Investment Fund Sales/Purchases (£m) 1881-1914[6]



[1] 'In the far past' such investments had been managed by the BE (CAA: M 68, memo, 1955).

[2] CO 323/343/5381, Julyan to CO, 13 April 1880; CO 323/393/11909; CAOG 9/210, Blake to CO, 2 June 1905; *ibid.*, CAs to CO, 17 Dec. 1912.

[3] CO 111/553/6545, CAs to CO, 23 Feb. 1906.

[4] *Ibid.* See also CO 54/720/20128, CAs to CO, 1 June 1908.

[5] In the case of the Mauritius Savings Bank Fund half of the investments had to be held in Indian government 6% rupee paper, 25% in UK government securities, and the remainder in first class colonial securities other than those of Mauritius (CAOG 9/147, CO to CAs, 18 April 1888).

[6] CO 323 series, CA accounts. The totals have been calculated from the CAs' brokerage remuneration.

that they passed onto Scrimgeours.[1]

The Agents could invest only in securities approved by the CO. In 1880, these comprised consols, Exchequer and Treasury bills, Metropolitan Board of Works loans, guaranteed colonial government issues, the government debentures of Canada, the Cape, Ceylon, Mauritius, New South Wales, W. Australia and Victoria, Indian 4% stock, and Indian railway 5% stock.[2] With the introduction of inscribed loans, however, the Agents scope for investment was restricted by the tendency of the leading stocks to disallow purchase by official bodies.[3] At the same time, the high premium of approved securities made it 'difficult to secure for SFs the rate of interest which is required to extinguish the debts at maturity'.[4] The Agents, in 1888, consequently requested and obtained permission to hold their trusteeship of Funds in their personal rather than their official capacities.[5] While, in the following year they were allowed to add to the security list, among others, Indian 3 1/2% loans and other government stock of any British colony quoted at a price, ex-accrued interest, that was equivalent to 105 for a 4% stock; in effect all colonial stocks, barring New Zealand 4%.[6]

In the event, the additions to the list proved to be too limited. The self-imposed restriction on colonial purchases, which had been chosen because 'it had been adopted by a Parliamentary committee and seemed likely to be approved', was found to be 'very inconvenient and anomalous'.[7] Price falls below the limit were often short-lived, and the result of executor sales rather than changes in a colony's credit. In addition,

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[1] CO 323/463/1131, CAs to CO, 9 Jan. 1901.

[2] CO 323/343/1211, CAs to CO, 26 Jan. 1880.

[3] CO 323/371/11143, CAs to CO, 4 June 1888.

[4] CO 323/375B/5332, CAs to CO, 14 March 1889.

[5] The Under Secretary of State, when trustee, had used his own name since 1885 on the insistence of the Treasury, who feared that the use of an official title would give the impression that the British government had a 'pecuniary interest' in the Funds (CO 323/452/9228, Round, 18 April 1900).

[6] CO 323/375B/5332, CAs to CO, 14 March 1889; *ibid.*, Anderson, 16 March 1889.

[7] CO 323/388/21970, CAs to CO, 10 Nov. 1892.

the constant rise in prices meant that most of the Indian, Imperial and metropolitan securities on the list failed to produce an annual yield of 3%. Many Fund constitutions precluded investments in debentures/stock that did not provide such a yield, and where this was not the case, the Agents had been forced to counter-balance the acquisitions of these securities with investments in colonial government stock that yielded an excess of 3%, a strategy that, if colonial stock prices fell, could lead to losses. The Agents, consequently, proposed and were subsequently allowed to buy any quoted colonial government debenture/stock and the securities named in the 1889 Trust Amendment Act, which included the stocks of the leading English railway companies and county councils. Thereafter, the Agents made no attempt to extend the list, though they occasionally requested permission to invest funds in non-trust securities. In 1911, for example, the CO authorised investments in 3 1/2% guaranteed first mortgage stock of the Ontario railway company, which was supposedly as secure as Canadian government stock, but 7% cheaper.[1]

On receiving Fund contributions, the Agents placed them in the Current account until a favourable investment opportunity arose. Before 1880, contributions often remained in the account, earning no interest, for up to three months, with the interest lost often offsetting any gain from the eventual investment.[2] There was also the possibility that the market, rather than improving during the pre-investment period, would actually worsen. The Agents, after a complaint from the CO, consequently began to ensure that the state of the balances accumulating for investment were brought to the attention of the Senior CA at least once per month.[3] In 1879, 71% of Funds were invested in colonial securities, 12% in consols, 7% in Indian paper or stock, and 6.2% held in bank deposit accounts.[4] By 1908, the proportion of Funds invested in Indian stock had fallen to 1.2%, and no money was held on deposit (Table 4). Although the Agents'

[1] CO 273/376/40643, CAs to CO, 18 Dec. 1911. See also CO 323/888/13204, CAs to CO, 18 March 1922.

[2] CO 323/343/18004, CAs to CO, 20 Nov. 1880.

[3] *Ibid.*, note, 26 Nov. 1880.

[4] CO 323/343/5381, Julyan to CO, 13 April 1880.

Table 4: Fund Investments, 30th June 1908[1]

Type of Debenture/Stock	Percentage
Self-governing colony	45.9
Crown colony	37.8
Consuls	12.2
British corporations/railways	1.4
India and Indian railways	1.2
Annuities	0.42
Miscellaneous	0.76

claimed that they gave preference to Crown colony securities 'where they are obtainable on reasonable grounds', only 38% of Funds were actually held in Crown colony debentures/stock.[2] As regards the investment practices for specific types of Funds, SF contributions were generally invested in securities that would mature at or as near as possible to the date on which the loan was due for redemption.[3] The value of even the most unsuccessful investment at the time of repayment would therefore be close to par.[4] Surplus Funds and other Funds, the contents of which could be required urgently, were invested in consols and annuities. Funds with no definite realisation date were placed in securities with a spread of maturities, so as to provide for unexpected calls on their contents at times of low prices.[5]

During market falls, capital losses were avoided through the sale of Fund securities either to other Funds that belonged to the selling colony, or, if this was not possible, a Fund held by another colony. For example, in 1907, £61,190 of the Straits general Fund was sold to the colony's Commissioner of Currency Fund, and, in 1901, £20,028

[1] CO 323/553/11325. 'Miscellaneous' includes war bonds, BE stock, local loans, Greek debentures, and Egyptian irrigation certificates. The remainder of the Funds was invested in own currency Indian, Belgium, Danish, German, and Prussian securities.

[2] CO 520/38/23398, Blake to CO, 28 June 1906.

[3] CAA: M 68, memo, 1955.

[4] Securities were repaid at par.

[5] *Ibid.*

of the W. Australian 6% SF to fourteen other Funds held by a variety of colonies.[1] Stock was transferred at the market price of the day, except where this was precluded by Fund constitutions, as a cost price would have been unfair to one or other of the Funds concerned.[2] In addition, the Agents, occasionally, avoided sales through the provision of short-term loans advanced on the security of the investments in the Fund concerned. The use of advances, however, was sometimes prevented by Fund regulations. In 1902, for instance, the Agents were unable to advance a sum to the Ceylon Commissioner of Currency Fund, as the colony's laws specified that a fall in the cash reserve against currency note issue could only be rectified by sales of Fund securities.[3] In the case of the W. Australian 4% debentures SF, the Agents also attempted to transfer the Fund's securities, which could only be sold at a loss, to the colony's 4% stock SF, an equivalent amount of whose securities, which carried a higher market price, would be sold in place of the 4% debenture Fund's investments.[4] The CO, however, believed it 'almost incredible' that none of the debenture SF securities could not be sold at an advantage, and suspected that it was illegal for Fund investments to be sold for the repayment of a different loan.[5] The Agents disagreed, but finding their arguments 'very far fetched if not fallacious', the CO refused to alter its decision.[6]

The Agents' Fund investment policy was the subject of a number of criticisms. In many cases, a proportion of a colony's Funds was invested in the colony's own stock, which increased both the price and the colony's credit as regards future issues. For example, in 1880, a Mauritius SF contained £14,700 Mauritius debentures; in 1896, the Trinidad Savings Bank Fund held £12,500 Trinidad 4% debentures; and, in 1906,

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[1] CAOG 9/222, CAs to Straits, 18 July 1907; CO 323/463/1131, CAs to CO, 9 Jan. 1901.

[2] CO 137/615/28948, CAs to CO, 3 Sept. 1900; *ibid.*, CO to CAs, 31 Oct. 1900.

[3] CO 54/678/23609, C.O to CAs, 14 June 1902.

[4] CO 323/504/1206, CAs to CO, 12 Jan. 1905.

[5] *Ibid.*, Round, 14 Jan. 1905.

[6] CO 323/504/2750, CAs to CO, 26 Jan. 1905; *ibid.*, Round, 27 Jan. 1905.

a third of the British Guiana Savings Bank Fund was invested in British Guiana stock.[1] The CO had doubts about such self-investment, and, occasionally, refused to authorise schemes. In 1903, for instance, it rejected a W. Australian proposal to replace securities in its 4% SF with non-4% W. Australian stock.[2] It was argued that the sale of the Funds' existing colonial securities would depress colonial stock prices, and that the disposal of the W. Australian stock at the maturity of the loan would cause the price to fall dramatically and lead to redemption difficulties.[3] A further 1906 W. Australian proposal for Fund securities to be invested in W. Australian stock that matured prior to the loan for which the SF was created was also rejected.[4] While, in 1908, the CO disallowed a CA request for a proportion of the Straits Savings Bank Fund to be invested in Straits stock, as it was feared that in an emergency the stock price would fall, and the government would be unable to release its holdings and deal with the crisis except at a large discount.[5]

There was also much criticism of the post-1900 advance of Fund contributions to colonies in need of finance. In 1902, the Straits complained that the Gold Coast and Zanzibar stock in which the colony's advances had been repaid was of poor quality and subject to price falls.[6] The governor also queried the Agency's investments in Australian securities, which he believed were likely to fall in price owing to the colony's lavish expenditure, and proposed that greater use be made of consols. In reply, the Agents strongly denied that Gold Coast/Zanzibar stock was of poor quality, arguing that recent price falls had been caused by a decline in the market.[7] It was also pointed out that colonial securities paid a higher rate of interest than consols, and, at

[1] CO 167/591/4599, CAs to CO, 3 May 1880; CAOG 9/68, Trinidad to CAs, 29 Sept. 1896; CO 273/342/43329, CAs to CO, 26 Nov. 1908.

[2] CO 323/483/38916, W. Australia to CO, 23 Oct. 1903.

[3] *Ibid.*, note, 21 Oct. 1903.

[4] CO 323/517/9926, CO to CAs, 29 March 1906.

[5] CO 273/342/43329, CO to Straits, 8 Dec. 1908.

[6] CAOG 9/211, Swettenham to CO, 17 July 1902.

[7] *Ibid.*, CAs to CO, 18 Oct. 1902.

least in the case of the guaranteed Zanzibar loan, were equally as secure, and that 'the real question at issue is whether a colonial governor or the CAs are more likely to be the best judge of financial matters'.[1] The CO, though agreeing with the Agents, nevertheless sided with the colony, and laid down that in future the colonial government should be allowed to indicate the securities in which its Fund contents were to be invested, and that any CA doubts about the inadvisability of the investments should be referred to the Secretary of State for arbitration.[2]

In the following year, British Guiana complained that the policy was strongly biased towards borrowers. It was argued that, during the period capital was advanced, Funds suffered losses equal to the difference between bank rate and the awards available from permanent investment, which, because money was in short supply, were relatively high. Whereas, when the market improved and the Funds were repaid, they experienced a loss equal to the difference between the return they could have earned, if contributions had been immediately invested, and, because of the plentiful supply of money, the lower return earned from the stock with which they were repaid or they purchased.[3] In response, the Agents claimed that during the period that the contributions had been advanced, bank rate was higher than the interest rate of most permanent securities. Moreover, the Agency, immediately that this ceased to be the case, had begun to invest Fund contributions in permanent securities.[4]

Many at the CO, however, were unconvinced by these arguments. F.R. Round, who, in June 1900, when bank rate had fallen to 3%, had pointed out to his colleagues that at least seven 3% colonial government securities could be bought at below 100, suspected that 'it would be difficult to prove that the system...(was)...generally advantageous' to the borrower.[5] He was also a 'little sceptical as to any permanent

[1] *Ibid.*, Blake to CO, 27 May 1903.

[2] *Ibid.*, CO to CAs, 5 June 1903.

[3] CO 323/483/40333, Swettenham to CO, 16 Oct. 1903.

[4] CO 111/539/45969, CAs to CO, 22 Dec. 1903.

[5] *Ibid.*, Round, no date; CO 323/452/17204, Round, 16 June 1900.

change of policy having been made by the CAs'. On the other hand, the Clerk H.C. Bourne, though acknowledging that the lender gained little from the practice, argued that 'the advantage to the borrowing colony is...far greater than the disadvantage to the lender, and, as all Crown colonies are in the long term both lenders and borrowers, it is unlikely that any colony would benefit from the abolition of the system'.[1] After further discussion, the CO decided to allow the policy to continue, though appear to have made their disquiet known to the Agents.

The monitoring of the Agents' investment activities was, again, not completely satisfactory. Until 1902, the Agents sent colonies investment valuations, and, thereafter, when required, copies of the Stock Exchange *Daily List*.[2] The CO received monthly returns, which recorded the investments held by each colonial Fund, and, from the Agents' bankers, a list of all the Fund stock certificates in their possession. The two returns were then compared and the former passed to the colony. By 1905, however, the 'considerable delay' in comparing the returns had 'sacrificed the object of the system' and the task was taken over by the auditor general.[3] The Agents also sent the Office a quarterly return that listed Fund investments and current account balances, and, from 1905, an annual statement that showed the position of all accounts and Funds under Agency management.[4]

In addition, the majority of Funds theoretically had three trustees appointed by the Secretary of State, two of whom were CAs, and the third generally the Under Secretary of State.[5] The Agents when buying and selling Fund investments,

[1] CO 111/539/45969, Bourne, 29 Dec. 1903.

[2] CO 323/474/22769, CAs to CO, 6 June 1902; CAA: Weeded file, a832.

[3] CAOG 9/210, CO to CAs, 1 May 1905; *ibid.*, CO to CAs, 21 June 1905.

[4] CO 323/553/11325, CAs to CO, 1 April 1909.

[5] In 1888, the trustees of twelve Funds were appointed by the holding colonies (CO 323/371/11143, CAs to CO, 4 June 1888). Until 1880, the third trustee was the Permanent Under Secretary of State for the Treasury (*PP 1881*, lxiv (C 3075), Treasury to CO, 11 April 1881).

consequently, had to obtain the agreement of the Under Secretary, who, before sanctioning the transaction, checked, in the case of sales, that the stock belonged to the Fund, and that its disposal did not breach any clause in the Fund's constitution.[1] In reality, the Under Secretary often failed to question the Agents' actions. In 1896, for example, Round sanctioned the sale of £26,000 of Sierra Leone SF securities to redeem £25,000 of the colony's debentures, merely commenting that 'doubtless the CAs have good reason for selling out more than is apparently necessary'.[2] Similarly, until 1896, when purchases began to be recorded, the Under Secretary was unable to determine whether about-to-be-sold stock that had recently been purchased was held by a Fund.[3] While, again until 1896, when the CO demanded notification of such movements, the Agents were able to sell or transfer stock between Funds without CO permission.[4]

More importantly, by 1888 only 34 (46%) of the Funds whose trustees were appointed by the CO had a third trustee.[5] The remainder, largely SFs, had the Agents as sole trustees. Wishing to end the practice altogether, the Agency, on the death of Sargeaunt, proposed that they be made the sole trustee of all existing and future Funds. It was argued that Fund safety was safeguarded by the provision of monthly and quarterly accounts by the Agents, which provided 'a real and effective check', and were far superior to the half yearly returns supplied by other institutions who managed trusts.[6] In addition, given that there had never been a single criticism of their work, there was little need for further security, and an external trustee, dependent on information supplied by themselves, was in any case unable to maintain an independent opinion. Moreover, an additional trustee increased the Office's workload/costs and the likelihood of mistakes, and gave the impression that the

[1] CO 323/428/2083, CAs to CO, 28 Jan. 1898.

[2] CO 323/406/10278, CAs to CO, 12 May 1896.

[3] *Ibid.*, Round, 13 May 1896.

[4] CO 323/406/17705, CAs to CO, 20 Aug. 1896.

[5] CO 323/371/11143, CAs to CO, 4 June 1888.

[6] *Ibid.*

Imperial government took some responsibility for Crown colony issues. The CO were unconvinced, but to reduce confusion and the Agents' workload agreed that all existing and future Funds should have the same external representative, the Under Secretary of State.[1] Unfortunately, the decision, which was made by the general department, failed to be circulated to the geographical departments, and the Agents continued to be appointed sole trustees of SFs.[2] So that, by 1900, 92 (84%) of the SFs in existence had no third trustee.[3]

[1] *Ibid.*, CO to CAs, 21 July 1888.

[2] CO 323/452/9228, Round, 18 April 1900.

[3] A 1900 attempt by the Agents to persuade the CO to abandon the external trustee was again unsuccessful. The CO arguing that to allow the Agents to become sole trustees would 'recognise to some extent their inadmissible contention that they have some authority and control over the Funds...independent of the CO', an acknowledgement that 'Parliament...(would)...not tolerate' (*Ibid.*, Herbert, 31 May 1900).

Chapter Five: Infrastructure Construction and Operation

The large-scale infrastructure constructed in the Crown colonies from 1880-1914 mainly took the form of railways, but also included harbours, wharfs, bridges and sanitary and water supply schemes. The majority of works were built in the West African Crown colonies after 1895 and the appointment of Joseph Chamberlain as Colonial Secretary of State (Table 1, Figure 1). The construction process was supervised by the CAs and undertaken by variously contractors; private firms, who also used and operated the works; the Agents' CEs, in what was termed the department system; and colonial P[ublic] W[orks] D[epartments]. At the start of the period, the majority of the projects were built by contractors and private firms. From the mid-1890s, however, the department system was increasingly adopted and used until approximately 1911, when it was displaced by construction by colonial PWD. The chapter concentrates on the department construction of West African railways, but also examines the three other methods of building and the other works constructed. It concludes with an assessment of the CEs' supervision of railway operation or open line departments.

Table 1: CA Supervised Railway Construction 1880-1914[1]

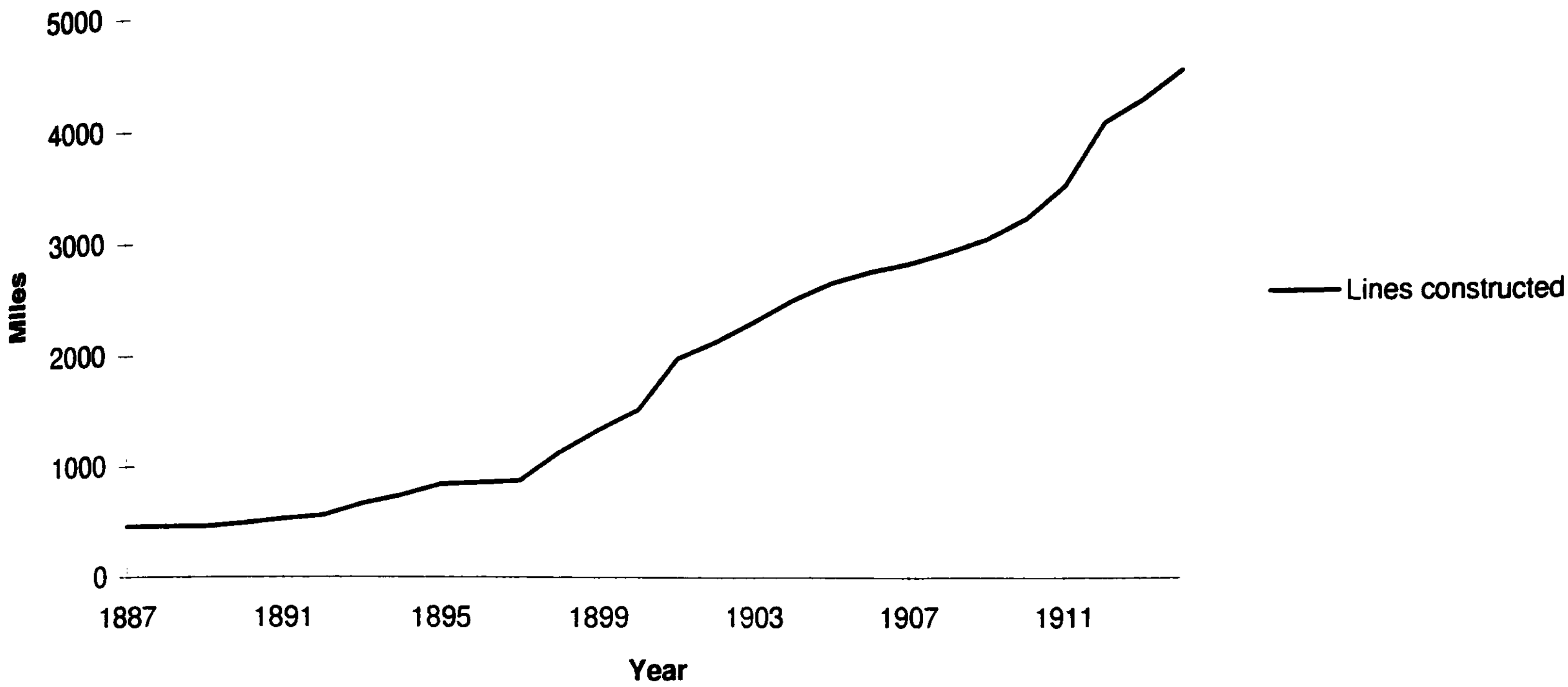
Colony	Mileage Constructed 1880-95	Mileage Constructed 1896-1914
West Africa	0	1,632
Ceylon	158	375
W. Indies	203	115
Other	417	351
Total	778	2473

5.1 The Department System

The term 'department system' was a misnomer. Theoretically, infrastructure was built

[1] *PP 1894*, xcii (Cd 7526); *PP 1901*, lxxxvi (Cd 751); *PP 1905*, xcvi (Cd 2679); *PP 1918*, xxv (Cd 9051). 'Other' includes Mauritius, Hong Kong, Fiji, Cyprus, Nyasaland, and Natal. Natal ceased to be a Crown colony in 1894. The FMS has been omitted as the construction of its lines was not supervised by the Agents.

Figure 1: CA Supervised Railway Construction 1887-1914[1]



by the constructing colony's PWD. In fact, construction was supervised by the Agents' CEs. The degree of supervision depended largely on the construction experience and expertise possessed by the PWD, which, in turn, was determined by the amount of construction and maintenance that occurred in the colony. In West Africa, where, in 1895, few railways or harbours had been built, and the country, moreover, was unsurveyed, the CEs were 'practically...the constructors' of works.[2] After the CO had decided to investigate the possibilities of construction, the CEs, in the case of harbours, undertook a survey, and, when a railway was to be built, organised a reconnaissance survey, which determined possible route(s), and, from approximately 1906, a location survey, which, far more detailed, set the exact route of the line. Using the information collected, the CEs created a design and estimated the likely cost and economic viability of the project. Their report was passed to the CAs, who added their own comments, and then to the CO, who decided whether the scheme should go ahead. If approval was given, the CEs recruited a resident engineer (henceforth RE), assistants and a support staff, who proceeded to the colony, where, using indigenous labour and directed by the CEs in London, they constructed the scheme. In the case of railways, until approximately 1906, the engineering team was proceeded by

[1] *Ibid.*

[2] CO 147/172/42513, CO to Egerton, 6 Jan. 1905.

surveyors, who undertook a location survey in tandem with, though ahead of, construction.[1]

In more developed colonies, the CEs adopted a far less 'hands-on' approach. The local PWD undertook, under the CEs' supervision, the location survey and sent the results, along with their cost and receipt estimates and design, to the CEs. In the case of the Kowloon water scheme, the heavy workload of the Hong Kong PWD caused the survey to be completed by a private firm.[2] If, after examining the material, the CEs believed the project worthwhile, they improved the design, generally in consultation with the colonial engineer involved, who was often recalled to Britain for the purpose.[3] Occasionally, experts were called in. During the design of the Penang tramway, for example, a Swiss cable railway engineer was consulted.[4] When the CEs and colony were unable to agree, the CEs either acquiesced; if they believed their objection important, allowed the CO to make the final decision; or, very occasionally, recommended that the opinion of further experts be sought.[5] The design and the CEs' critical report on the project were then sent to the Agents and the CO. If the scheme was authorised, the PWD organised construction, under the general guidance of the CEs, who provided advice and monitored progress.

The Agents claimed that the department method of construction was widely adopted, and that, among others, the Canadian Pacific railway, Indian lines, and many Argentinean extensions had all been built using the system.[6] In fact, although other countries adopted the same terminology, this method of building appears to have been

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[1] eg. CO 520/109/1087, report, 30 Dec. 1910; CO 267/434/15737, C.Es to CAs, 14 July 1897; CO 766/1, evidence, p. 66.

[2] CO 129/308/11497, CAs to CO, 25 April 1901.

[3] eg. CO 129/350/24882, CAs to CO, 10 July 1908.

[4] CAOG 10/51, Gregory to CAs, 21 Nov. 1911.

[5] eg. CO 129/302/23718, CAs to CO, 21 July 1900; CO 96/301/2669, CAs to CO, 2 Feb. 1897; CO 54/696/22587, CAs to CO, 29 June 1905.

[6] *PP 1905*, lvi (Cd 2325) (henceforth *PPP*), p. 10.

unique to the Crown colonies.[1] Until the 1890s, the system was rarely used and generally disparaged by the Agency. It supposedly allowed colonial governments to add to schemes, or suspend or speed up construction, if, respectively, revenue contracted or early completion was required, and therefore resulted in expensive, unsatisfactory works.[2] The Agents, along with their CEs and CO, however, then underwent something of a conversion, and began to endorse the system, both in West Africa and elsewhere.[3] Their support was variously ascribed to colonial reluctance to use contractors; the high cost of contractor built lines; and the harsh local conditions and the small size of some of the projects, which it was thought would discourage reputable firms from tendering for work.[4] A far more important factor, however, was self-interest.

In the case of the CAs, self-interest took the form of a desire to escape their parlous financial position, avoid criticism, and help the business of the West African CE, with whom two of the Agents had personal relationships. In order to avoid the diminution of the Office Reserve Fund and their pensions, and, the worst possible outcome, Office bankruptcy, it was important that a construction method was adopted that ensured that the Agency dealt with all orders for building materials. Such orders were profitable, owing to their size/uniformity and consequent low attendant processing costs, and remunerated the Agents for their supervision of projects. The department system guaranteed such purchases. Alternatively, private firms always supplied their own materials, and the CO occasionally allowed contractors to provide all or some of

[1] In Argentina, for example, the term was used to describe private construction through contractors using piecework gangs of labourers (CAOG 10/96, Shelford to CAs, 14 March 1906).

[2] CO 54/580/5172, CAs to CO, 15 March 1888.

[3] eg. CAOG 10/11, Coode to CAs, 9 Feb. 1899.

[4] eg. CO 54/580/5172, CAs to CO, 15 March 1888; CO 54/704/31404, CAs to CO, 24 Aug. 1906; CO 54/704/45246, Eyles to CAs, 27 Nov. 1906. The drawbacks and advantages of the use of contractors are discussed later in the chapter.

the construction materials used on projects.[1] Moreover, colonies who used contractors/private firms were reluctant to pay the Agents a special fee for their work with regard to construction. In 1906, for example, the Agency's request for remuneration for its work on the Singapore harbour improvement scheme resulted in a 'storm of indignation' in the colony, and the payment was only made after a lengthy correspondence.[2]

Secondly, the department system gave the Agents greater control over the building process, which appeared to reduce the dangers of the construction of uneconomic and poor quality lines, and corruption. The Agents were highly averse to all three risks. The construction of unprofitable railways would reduce colonial government revenue and future demand for the Agency's services, and discourage colonies from undertaking, and the City from financing, subsequent infrastructure projects. More importantly, such lines would generate much damaging criticism of the Agency from constructing colonies and the CO. For colonies, uneconomic and poorly built railways would lead to high direct/indirect taxation and traffic rates, which would reduce merchant incomes, and, by lowering general prosperity, affect the reputations and future careers of governors. In the case of the CO, loss making lines would unbalance colonial budgets and force colonies to turn to Imperial funds, damaging the standing of the Secretary of State.

The Senior CA, Sir Montague Ommanney, and the Agent in charge of engineering, Sir Maurice Cameron, also had personal reasons for their support of the system. Ommanney was the father-in-law of Frederic Shelford, who, from 1899, as his father's partner, and, from 1905, on his own account, was the Agents' railway CE for West

[1] Contractor supply ensured that price rises were absorbed by the contractor rather than the colony, and, by increasing the size of small contracts, made them more attractive to tenderers and increased competition (CO 96/474/19021, CAs to CO, 26 May 1908; CAOG 10/96, memo, 7 March 1904). The contractors who built the 1902 Ceylon Farmagusta harbour improvement scheme, the 1903 Singapore harbour project, and the 1908 Straits lagoon wet dock all used their own materials, and those who constructed the 1880 Ceylon Nawalapitya-Nanu railway and 1906 Gold Coast Accra-Akwapim line provided all non-permanent way goods (CO 273/313/44688, CAs to CO, 16 Dec. 1903; CAA: CAOG 19/130; CAOG 19/283; CAOG 19/172; CAOG 19/106).

[2] CO 273/322/23110, CAs to CO, 26 June 1906; *ibid.*, Stubbs, 27 June 1906; CO 273/332/7781, CAs to CO, 1 March 1907. See also CAOG 17/124, CAs to CO, 7 June 1918; CO 273/322/46189, CAs to CO, 15 Dec. 1906.

Africa.[1] Similarly, one of Sir Maurice Cameron's 'greatest friends' was Thomas Shelford, Frederic Shelford's uncle.[2] Cameron, in 1890, when a Straits engineer, had shared a house with Thomas Shelford and his wife, and, from 1895 to his death in 1900, Shelford financed Cameron's £10,000 CO security bond.[3]

Self-interest also motivated the CE's and the CO's support of the system. For the former, departmental construction provided work. The engineers earned no remuneration for lines built by private firms that received no colonial support, and the fees and expenses obtained for the supervision of government supported private builders and contractors were usually far lower than those for the organisation of department construction. As private lines were operated by the construction company, they also lost their operation fees. In addition, control over construction ensured that their designs were built to the highest standards and that their commercially valuable reputation was maintained.

The CO, lacking technical/business expertise, generally followed the advice of the Agents and CEs as regards the method of construction. Nevertheless, the CO also gained from the adoption of the departmental system, which enabled the Office to avoid the delay in the commencement of construction that inevitably occurred when contractors were used. In order to allow a fair comparison of tender offers and the monitoring of the building process, it was essential that a location survey was undertaken and a specification drawn up before the contract was put to competition. Such a survey/specification, along with the contractual preliminaries, could take up to two years, and, in the meantime, the Secretary of State would be subject to intense

[1] SA:*Liverpool Daily Post*, 26 June 1899. Ommanney closely followed his son-in-law's career and wished to see him prosper. In 1905, C.P. Lucas informed the governor Sir Matthew Nathan that he had passed his earlier letter, which had contained praise of Shelford, onto Ommanney 'as it would be sure to please him' (RH: N[athan] P[apers], mss Nathan 334, Lucas to Nathan, 20 Jan. 1905).

[2] CPM, p. 112.

[3] *Ibid.*; CO 323/452/6740, CAs to CO, 28 Feb. 1900.

pressure from outside interest groups, for whom the delay meant lost profits.[1] In addition, department construction ensured, through CA supply, the purchase of British construction materials, one of the declared objectives of railway construction; reduced the likelihood of clashes between constructors and local populations, which could easily escalate into political problems; avoided the legal proceedings that usually followed a contractor's demand for compensation and extras, which drew attention to overexpenditure; and dispersed responsibility for the final works.[2]

The schemes constructed in West Africa under the department system were the subject of much CO, colonial, Parliamentary and press complaint.[3] Works were relatively expensive as compared to both pre-construction estimates (Tables 2 and 3) and French/German lines (Appendix 9 and 10)[4] Furthermore, once completed, the railways were uneconomic, receipts failing to cover costs (Table 4). They were also of poor quality.[5] Many had excessive gradients and curves, and defective drainage, culverts and ballasting. Working expenses were therefore high and large amounts of money had to be spent improving, and, in some cases, relaying track. In the early 1920s, for example, Lagos and the Gold Coast spent, respectively £1m and £418,000 improving line alignment.[6] Alternatively, railways and other works constructed by the more developed Crown colonies were relatively less expensive (Appendix 11), and of a better quality. Nevertheless, they were still more costly than similar works constructed elsewhere (Appendix 11), and the standard of construction was again subject to

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[1] It seems likely that, to discourage outside pressure groups and the CO calling for the use of contractors, the CEs exaggerated the length and cost of the surveys.

[2] In 1893, Chamberlain stated that the construction of the Uganda railway would benefit 'the working classes of this country...as the whole of the work will...be done in this country' (*Hansard*, 4th series, 1893, xx. 602).

[3] eg. CO 96/412/39602, *Times*, 17 Oct. 1903; E.A. Morel, *The Affairs of Africa* (London, 1902), pp. 17, 30-3; *Hansard*, 4th series, 1906, lvxvii. 658/9; *ibid.*, 5th series, 1910, xviii. 1494.

[4] Sir Robert Herbert defined West African lines 'as the most expensive that can be desired' (CO 446/8/30397, Herbert, 30 Nov. 1899).

[5] In 1912, a proposal for the Nigerian railways to be renamed the Nigerian Government Railways was abandoned amid fears that the NGR initials would cause the line to be known as the 'No Good Railway' (CO 520/118/27127, note, 2 May 1912).

[6] Sir W. de Frece, *The Failure of Officialdom* (London, 1923, pamphlet), p. 6; *Hansard*, 4th series, 1925, clxxxii. 37.

Table 2: West African Department System Average per Mile Cost Overruns 1898-1914[1]

Colony	Overrun (%)
Gold Coast	54
S. Nigeria	47
Sierra Leone	11

Table 3: Miscellaneous Works Cost Overruns[2]

Works	Over/under estimate (%)
S. Nigeria	
Old Calibar Quay Wall 1904	+ 19
Lagos Harbour 1908-21	+ 37
Gold Coast	
Accra Law Courts 1896-7	+ 21
Accra Harbour Works 1907-9	+ 22
Other	
Penang Harbour Works 1901	+ 10
St Lucia Harbour Improvements 1881	+ 42
Colombo Drainage Scheme 1903	+ 13

criticism.[3]

The CAs and CEs claimed that the underestimation/high cost of works was the result of inflation between the calculation of the estimate and the completion of construction,

[1] See Appendix 9.

[2] Calibar Quay Wall: CO 520/26/726; Lagos Harbour: CO 776/1, evidence, p. 412; Accra Law Courts: CO 96/281/14588; CO 96/301/2669; Accra Harbour: CO 96/461/20474, Coode to CAs, 8 June 1907; CO 96/488/17770, CAs to CO, 25 May 1909; Penang Harbour: CO 273/285/8569, Coode to Straits, 26 Dec. 1901; St Lucia Harbour: CAOG 10/11, Coode to CAs, 20 Sept. 1899; Colombo Drainage Scheme: CO 54/685/34786, schedule; CO 54/685/27072, CAs to CO, 20 July 1903.

[3] The Ceylon railway, for instance, cost 16% per mile more than Indian lines, which were themselves considered expensive (*Papers Laid before the Legislative Council of Ceylon, 1895*, 1, Appendix 1). The colony, in 1903, complained of the poor quality of the Uda Pussellawa railway, calling for an independent engineer and enquiry to be appointed to investigate the line, and, in 1904, criticised defects in the Colombo coaling jetties, which required them to be closed during bad weather conditions (CO 54/685/42223. CE to CAs, 12 Nov. 1903; CO 273/313/6870, *Times of Ceylon*, 22 Sept. 1904).

Table 4: West African Railway Losses 1920/1[1]

Colony	Net Loss (£)
Sierra Leone	125,029
Gold Coast	70,584
Nigeria	287,052

often a period of years, and unforseen events and conditions.[2] The drawbacks of the West African lines were blamed almost wholly on the harsh African environment, which, it was asserted, the British, using the department system, had overcome far more easily and cheaply than the French, whose works were largely built by the private sector.[3] It was argued that much of the country traversed was mountainous and riven by rivers and streams, necessitating the construction of costly viaducts, bridges, earthworks and cuttings; the Freetown to Songotown railway, for example, contained eleven viaducts in its first 20 miles alone.[4] The heavy rainfall meant that slips and washouts were a common occurrence, and the unhealthy nature of the climate resulted in a high death/invalidity rate and constant changes in personnel, which had 'a disastrous effect on cost, progress and quality of work'.[5] From 1898 to 1904, each construction post on the Sierra Leone, Gold Coast and Lagos railways, for instance, had been filled by respectively 5.45, 4.31 and 3.84 employees.[6] Similarly, the dense tropical forest that extended 150 miles from the coast increased clearing expenses, and, owing to the rapid regrowth, maintenance costs, and made surveying

[1] CO 766/1, CO written evidence. Net loss/gain = gross receipts - working expenses - debt charges (interest + SF contributions).

[2] eg. CO 267/460/1746, CAs to CO, 14 Jan. 1901. For example, the high cost of the Kelani Valley line, Penang harbour and Colombo drainage scheme was supposedly caused by, respectively, the quantity of rock encountered, the character of the sea bed, and the difficult nature of the ground (CO 54/685/31774, CAs to Ceylon, 25 Aug. 1903; CO 273/285/8569, Coode to Straits, 26 Dec. 1901; CO 54/704/713, CAs to CO, 6 Jan. 1906).

[3] *PPP*, pp. 15-8, Tables 5, 7. The Dahomey and Togo railways were constructed and run by private companies, assisted in the early stages by government loans (C. Newbury, *The Western Slave Coast and its Rulers* (Oxford, 1961), p. 143). In the case of the Dahomey line, the road bed was built by the government and the permanent way by the Dahomey Railway Co. (CO 879/86/765a, No. 1). The Konakry-Niger line was initially constructed by contractors, and, after the cancellation of their contract, by military engineers (*ibid.*, No. 2).

[4] CO 766/1, CO evidence.

[5] CO 147/163/3313, Ommanney, 1 Feb. 1902.

[6] *PPP*, p. 21.

difficult, leading to poorly aligned lines.[1] There was also a shortage of ballast and labour, particularly skilled workers, forcing the import of men from neighbouring colonies and the employment of Europeans to train and supervise labourers.[2] To build the Gold Coast railway, for example, 13,000 labourers were brought into the colony, largely from Lagos.[3] In addition, the lack of wharfage made the landing of materials difficult; the absence of roads and paths necessitated the use of just one base and precluded the transport of materials in advance of the railhead; and, in the case of the Sekondi-Kumassi and Freetown-Songotown lines, progress was slowed by native revolts.

It cannot be denied that the environment inflated costs, which fell over time, as engineers learnt how to overcome many of the natural problems, labour became more skilled, landing facilities were established, and lines extended inland, where the country was more open and the climate healthier.[4] However, it seems unlikely that the environment was the only cause of the high expenditure/poor quality. Despite the CEs claims to the contrary, British lines were more expensive than those built by the French, which were constructed in similar, and in the cases, far more difficult conditions.[5] They were also more costly than those built in similar or worse conditions elsewhere. The Perak railway, for example, which was of the same length and on the same parallel of latitude as the Tarkwa-Kumassi line, but with over four times the rainfall, a greater shortage of ballast, thicker forest and more difficult country, was built for 22% less and to a far higher standard than the Gold Coast ?

[1] CO 520/38/22507, report, 28 May 1906.

[2] Ballast is the crushed stone on which rails rest.

[3] *PPP*, p. 18.

[4] *Ibid.*, p. 21.

[5] R.J. Harrison Church, *The Evolution of Railways in French and British West Africa* (Lisbon, 1952), pp. 97, 104, 105; *West African Mail*, 11 Aug. 1905, p. 470. The French railway expenditure and construction speed figures, quoted by the CEs in *PPP* to bolster their case, were disparaged by the CO. Shelford had included interest on capital and working losses not included in British costs, omitted from his comparisons French lines that had been built relatively rapidly, and failed to take account of interruptions in construction caused by lack of funds (CO 879/86, No. 3, p. 24, footnote). The CO concluded that 'on a fair view it would seem probable that the construction of British railways has been distinctly more expensive than the French' (*ibid.*, p. 25, footnote).

railway.[1]

In addition, the difficulties of West African construction had long been known and should have been taken into account by the CEs in their estimates. Indeed, in many cases, the engineers appear to have failed to incorporate the extra costs in their spending forecasts, even after they had experienced the conditions at first hand. There is also evidence that Shelford 'bolstered up and magnified' some of the environmental problems he faced.[2] In 1908, for example, he attributed a 20% rise in the Tarkwa-Prestea line to a doubling of labour costs, which the Gold Coast governor and open lines and transport managers denied had occurred and Shelford himself later admitted to be an 'exaggeration'.[3] Furthermore, some of the drawbacks of African construction were partly offset by advantages, such as construction from the coast, which enabled materials to be easily transported to the railhead, supposedly 'just everything in building a railway'.[4]

The unsatisfactory nature of the West African lines was partly the result of the piecemeal nature of construction, due to the lack of funds and the CO's wish to minimise losses if lines failed to pay.[5] The construction of short lengths of track increased expenditure. In 1902, for example, the CEs estimated that the construction of the Bo-Baiima line in two sections would add at least 2% to the cost of the line.[6] Moreover, since each section was built without much consideration of the probable ultimate destination of the railway as a whole, piecemeal construction led to poor alignment and high operating expenses. French railways, by comparison, were built

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[1] CO 96/427/5543, FMS to CO, 28 Jan. 1905. The Perak line had 42 stations, 1 in 100 gradients and 9 chain curves as opposed to the Tarkwa railway's 19 stations, 1 in 50 gradients and 5 chain curves (*ibid.*).

[2] *W[est] A[frica]*, 7 Nov. 1903, p. 503.

[3] CO 96/472/39103, GC to CO, 2 Oct. 1908; CO 96/488/5213, Shelford to CAs, 3 Feb. 1909. A delay in the Ibadan-Oshogbo line in June 1905 was blamed on 25" of rainfall, when recorded amounts for that month in Ibadan and Oshogbo were only 10" (CO 147/177/34063, Egerton to CAs, 20 Sept. 1905).

[4] *PPR*, q. 519.

[5] CO 54/650/10809, Lucas, 18 May 1898.

[6] CO 267/464/38653, CAs to CO, 15 Sept. 1902.

far more to an overall plan.[1] The urgency with which some of the lines were constructed also increased cost and effected quality. For instance, pressure from the Ashanti Goldfields Corp., who part-financed the Tarkwa-Obuassi line, for the railway to reach its mines rapidly, forced the CEs to import labour from Lagos and increase the number of location survey engineers.[2]

The main cause of the lines' problems, however, was the adoption of the department system, which led to the construction of poor quality, high cost lines and railways that later proved to be unprofitable. Neither the CEs nor REs had much incentive to build good quality works. The CEs were not held financially responsible for defective construction.[3] Demands by Ceylon for a lawsuit to be issued against the CE La Tobe Bateman for gross negligence in the design and construction of the Malayakander reservoir, for example, were rejected by the CO, because, given the technical nature of the dispute, victory would be 'doubtful'.[4] If found to have acted irresponsibly, a CE would only be censored and perhaps dismissed, though the latter was unlikely, as dismissal made other high standing firms reluctant to work for the Agency.[5] The CEs also indirectly benefitted from bad construction, in that the resultant large number of open line calls for advice increased their line supervision workload/income. Consequently, although the CEs realised that poor quality works would result in the 'loss of professional reputation and of the chance of re-employment', they had a lower aversion to the risks of inadequate construction than contractors or the CAs.[6]

As a result, the quality of completed works often left much to be desired. For example, the Lagos-Ibadan line, when handed over to the colony was only half

[1] *Church, The Evolution*, p. 99.

[2] CO 96/434/17000, Shelford to CAs, 3 May 1905. See also CO 520/69/3965, Butler, 4 Feb. 1908.

[3] CO 129/350/37429, note, 14 Oct. 1908.

[4] CO 54/580/14242, CO to Ceylon, 20 July 1888.

[5] CO 129/350/37429, note, 14 Oct. 1908; CO 273/304/40128, CAs to CO, 24 Nov. 1904.

[6] C.O 96/501/6424, CAs to Ellis, 11 March 1910.

ballasted, had temporary earthworks, and an incomplete drainage system and telegraph network, and the Sekondi-Tarkwa line was half-ballasted, had an uneven track, and was 'a long way...from being in safe working order'.[1] When questioned about the state of the lines, Shelford claimed that it was common practice for principals to take over works before 'the finishing touches have been added', and argued that open line departments were using them as scapegoats to escape blame for poor maintenance, inadequate inspection, and their failure to trial rolling stock.[2] In some cases, CEs' disregard of quality was so great that it led to their dismissal by the colony for which they worked, though the Agents continued to employ them elsewhere. For example, the CE Elliott-Cooper was dismissed by Jamaica, in 1901, for the failure of locomotive designs to take account of the sharp curves of the colony's railway, and, in 1904, the Straits ended their relationship with Messrs Gregory Eyles & Waring, when the firm designed a culvert for the Singapore railway that later collapsed.[3]

The CEs disregard for quality was shared by the RE and construction staff, who were employed for only the project in hand, and had no sense of shared endeavour with the colony, little team spirit, and no knowledge of local conditions, though the Agents believed that the latter could be rapidly acquired.[4] They were also often resented by colonial officials, who were consequently reluctant to provide help and information.[5] REs were blamed for the defective bridge foundations on the Kowloon-Canton line; the inadequacies of the Lagos electric light scheme; and the Kumassi bridge collapse,

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[1] CO 96/443/24376, GC to CO, 16 June 1906; CO 96/423/11628, Daniel, 31 May 1904; *ibid.*, Shelford to CAs, 11 March 1904.

[2] *Ibid.* eg. CO 96/412/43070, CAs to CO, 27 Nov. 1903; CO 273/304/40128, CAs to CO, 24 Nov. 1904; CO 129/350/2398, note, 28 Jan. 1908; CO 54/685/42223, CE to CAs, 12 Nov. 1903.

[3] CO 137/623/44147, Lucas, 3 Jan. 1901; CO 273/304/40128, CAs to CO, 24 Nov. 1904. Culverts are small drainage tunnels.

[4] The N. Nigerian governor, Sir P. Girouard reported that the engineers working on the PWD built Baro-Kano railway 'worked like slaves', as they regarded the line as 'our railway' rather than 'a Shelford extension' (LP: mss Brit. Emp. s. 63, Girouard to Lugard, 25 Jan. 1908).

[5] CO 273/276/22964, CAs to CO, 2 July 1901. In 1901, the Jamaican PWD, appears to have deliberately failed to disclose to the CE employed to improve the colony's railway the sharpness of the line's curves, with the result that the locomotives designed proved useless (CO 137/631/7724, Cooper to CAs, 6 Feb. 1902).

which killed three people.[1] It would appear, however, that on some occasions, REs were unfairly blamed for mistakes made by the CEs. On receiving a damming independent report on the S. Nigerian line in 1912, for example, the CO clerk C. Strachey commented that it was 'hardly worthwhile to start a controversy with the CEs...(as)...they will, as usual, put it all down to local staff, and we can be sure that we will get little satisfaction nor apology from them'.[2]

5.1.i High cost of lines

The high cost of the lines constructed by the department system was the result of a number of factors. The system was firstly naturally costly. The CE/RE correspondence increased administration expenses, led to delays, and, as the CEs often had difficulty understanding problems from written descriptions, resulted in poor quality construction.[3] Likewise, the use of colonial medical facilities, often inadequate or not available, resulted in a high invalidity/death rate, which severely disrupted construction.[4] Although they later relented, the CO at first refused to sanction the employment of medical officers, claiming that the health of workers did not warrant such appointments, which would be expensive and lead to jealousy on the part of permanent colonial officials.[5]

The system, by enabling location surveys to be carried out during construction rather than, as when contractors were used, before building commenced, also led to hurried surveys, particularly if construction was 'treading on...(the surveyor's)...heels'.[6] Findings were consequently incomplete and insufficiently considered, with the result

[1] CO 129/350/37429, CAs to CO, 13 Oct. 1908; CO 147/137/6746, Preece to CAs, 2 March 1898; CO 96/412/43070, Butler, 7 Dec. 1903. The Kumassi bridge collapse was caused by the foundations of the bridge being carried only 3' below the bed of a dry stream, which adjoined the main river of the region. F.G.A. Butler believed the RE had 'committed an error of judgement...one would have thought that even a slight experience of West Africa would have suggested that there was an enormous difference between a stream in the dry season and the same stream in flood' (*ibid.*).

[2] CO 520/118/10211, Strachey, 17 April 1912. The CEs services were also about to be dispensed with.

[3] CO 446/107/10210, report.

[4] CO 147/122/15002, CAs to CO, 10 July, 1897; CO 147/166/31878, MacGregor to CO, 8 Aug. 1903.

[5] CO 147/122/18148, Meade, 25 Aug. 1895; *ibid.*, Antrobus, 28 Aug. 1897.

[6] CO 766/1, p. 32, Hammond to Committee, 25 August 1923.

that alignment and gradients were poor and expenditure high.[1] It was later claimed that pre-construction surveys were ruled out by the administrative urgency with which the railways were built. However, there were usually months and often years before building commenced when surveys could have been undertaken, and it seems more likely that the CO was reluctant to sanction them until the decision to build had been made, so as to avoid wasted expenditure. Sensitive to criticism, they were also probably loath to reject commercial and colonial demands for a rapid start.[2] In addition, the surveys were strongly recommended by the Agents and CEs, who wished to begin earning income from construction as soon as possible, and perhaps suspected that a realistic estimate based on a location survey would reduce the likelihood of CO authorization of a railway, and, when the departmental system was not certain to be adopted, feared that a survey would allow the work to be put up to contract.

Construction location surveys were eventually abandoned in approximately 1904, when the Agents and CEs, having discovered that 'the level is a more economic excavator than the spade' and under some colonial pressure, began to argue against their use.[3] However, even pre-construction surveys often contained imprecise information. As, under the department system there was no need for detailed results for monitoring purposes, the surveys were completed relatively rapidly, often by poorly qualified people, and were relatively underfunded.[4] The Dominican Rossea harbour project, for example, was surveyed by William Shelford's eldest son, a ship's captain, who coincidentally was sailing to the island, and the Lagos breakwater by a PWD engineer with no surveying/estimating experience.[5]

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[1] The 1924 Ronaldshay committee believed inadequate surveys to be one of the main causes of the excessive cost of the lines (*PP 1924*, viii (Cmd 2016), p. 6).

[2] CO 766/1, evidence, p. 67.

[3] CO 520/38/41943, CAs to CO, 13 Nov. 1906; CO 520/52/41328, CAs to CO, 25 Nov. 1907; CO 147/177/1241, report, 28 Dec. 1904.

[4] CO 766/1, evidence, p. 325.

[5] Anna. E. Shelford, *The Life of Sir William Shelford*, (London, for private circulation, 1909), p. 118; CO 147/158/5790, Antrobus, 27 April 1901.

Secondly, the department system encouraged neither the constructing colony, CE/RE nor CAs to be 'alive to the needs of economy'.[1] Provided costs were covered by receipts, colonies generally wished works to be as extensive as possible. Long railways, for example, increased merchants' profits, and, by increasing colonial prosperity, improved governor career prospects. Consequently, colonies, after CO approval had been obtained, tended to add to works; a practice that would have been deterred by the use of contractors, who would have made claims for extras and compensation. According to the CA Sir William Mercer, such additions were one of the main causes of cost overruns.[2] Additional works on the Singapore, Kowloon-Canton and Madawachecki-Talai Manaar railways, for example, increased costs by respectively 20%, up to 37%, and 5%.[3] In addition, on completion of lines, colonies tended to place costs, which they would have had difficulty meeting from revenue, onto the capital account. In 1904, for instance, Lagos attempted to charge the cost of locomotive repair, fencing and a traction engine to capital expenditure.[4]

In developed colonies, the CEs obtained a fee for the supervision of construction, usually determined after the project had been completed, owing to the difficulty of estimating the work involved before building commenced.[5] Consequently, after CO authorization, they also had a tendency to add to works.[6] The Agents, in an attempt to prevent such abuse, in 1905 reminded all CEs that estimates should include all costs and should not be altered without CO authority, and that any excess should

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[1] CO 147/158/42531, Ezechiel, 12 Dec. 1901. See also CO 879/93/845, p. 138 and T1/9581/16676/9505, Herbert, 14 June 1900.

[2] CO 766/1, evidence, p. 73.

[3] CO 273/304/40128, CAs to CO, 24 Nov. 1904; CO 129/342/37695, Barry to CAs, 15 Oct. 1907; CO 54/729/19297, CAs to CO, 9 June 1909.

[4] CO 147/172/11204, Ezechiel, 31 March 1904; CO 147/172/31164, CAs to CO, 6 Sept. 1904; CO 147/172/32056, Shelford to CAs, 6 Sept. 1904. See also CO 54/685/31774, CAs to Ceylon, 25 Aug. 1903.

[5] CAOG 10/97, CAs to CO, 10 Aug. 1905.

[6] eg. CO 54/685/27072, CAs to CO, 20 July 1903; CO 766/1, evidence, p. 79; CO 147/158/22311, CAs to CO, 28 June 1901; CO 267/449/1979, Grindle, 25 Jan. 1899.

immediately be brought to the notice of the Agency.[1] In West Africa, until 1905, the CEs were paid a salary for supervision, as the Agents feared that fees would speed progress at the expense of quality, and the CO believed that it would be 'undignified for the Secretary of State to haggle' with such 'high class professional men'.[2] Unconstrained by contractual time limits/penalty clauses or the opportunity cost of slow construction, the CEs appear to have exploited the method of payment, and deliberately slowed progress in order to maximise remuneration. Shelford, for example, used little plant in the construction process, arguing that machinery was expensive when compared to the cost of labour, and that its efficient use was impeded by the thickness of the forest and by the unsophisticated nature of the West African labourer, who, he claimed, if given a wheelbarrow 'would probably fill it...and put it on his head'.[3] Consequently, earth was dug by picks and hoes, rock bored by hand rather than mechanical drills, and earth moved away from cuttings by basket, as opposed to wagons running on tramways.[4] Where embankments were formed close to cuttings, with no tramways to transport cuttings earth to the proposed embankment site, the material was dumped and the earth for the embankment obtained from specially dug borrow pits.[5] The work involved in creating such features was thus doubled, and the borrow pits, which rapidly filled with stagnant water, became breeding grounds for disease carrying mosquitoes and were partly responsible for the high invalidity rates of construction staff.[6]

Similarly, Shelford rarely built temporary diversions around heavy earthworks and viaducts, which would have prevented the construction of these works slowing down the laying of track. It was claimed that such diversions were impracticable in forest

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[1] CO 323/504/28564, CAs to CO, 10 Aug. 1905.

[2] CO 96/400/52681, note, 4 March 1902.

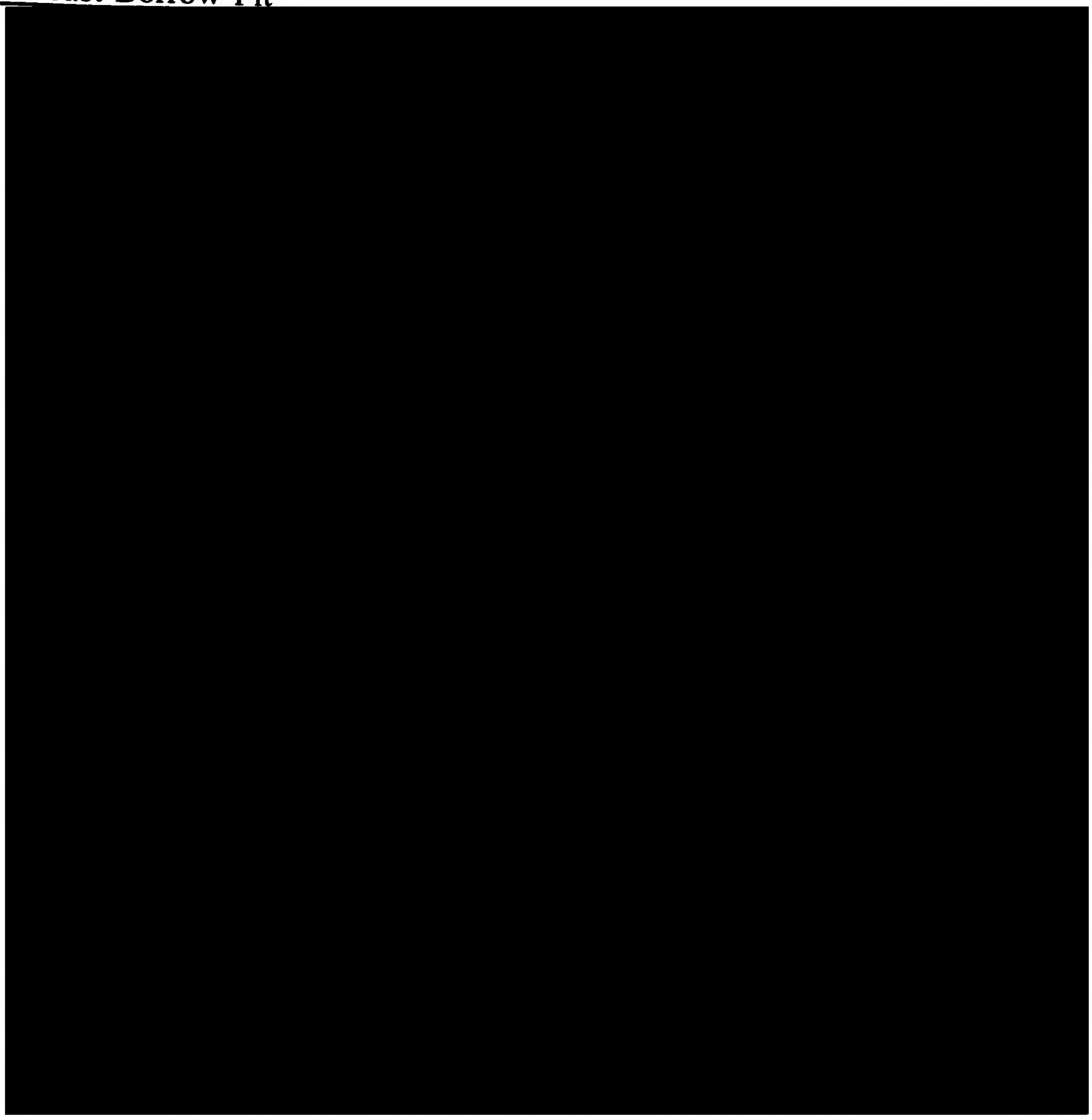
[3] F. Shelford, *Some Features of the West African Railways* (London, 1912), pp. 11, 45.

[4] *Ibid.*, p. 11.

[5] *Ibid.* In Shelford's I[nstitution] of C[ivil] E[ngineers] seminar on West African construction, the majority of speakers criticised the failure to use wagons (*ibid.*, pp. 26, 27, 49, 63).

[6] *WA*, 15 Aug. 1903, pp. 171-3.

Gold Coast Borrow Pit[1]



country, and, unless light locomotives were used, on soft ground, though the practice was successfully adopted by the N. Nigerian PWD when it constructed the Baro-Kano line.[2] Shelford also rejected 'telescopic tracklaying', by which the construction operation was broken up into many small and simple tasks, each of which was performed continuously by a small team of labourers. Instead, workers performed a variety of duties, with the result that the benefits of specialisation were lost, and training and supervision costs were high.[3] He, likewise, often insisted on the adoption of clean broken stone ballast, which was time consuming and costly to produce, rather than sand or gravel, even though the use of the line to transport supplies to the track

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[1] *Ibid.*, 4 July 1904, p. 182.

[2] RH: A.R. Seymour, *Tropical Railway* (unpublished manuscript), p. 6. See also CAOG 18/630, p. 13.

[3] N.S. Pflaumer, *The Politics of Transport Policy in Nigeria 1890-1914* (Yale Univ. PH.D thesis 1982), p. 173; CO 446/96/8450, note, 15 March 1911. The adoption of 'telescopic tracklaying' on the Baro-Kano line was partly responsible for its rapid progress, which was between two and eight times that of other West African railways (Appendix 9).

head, before the ballast had settled, caused most of it to be thrown onto the banks and lost.[1]

The CEs additionally demonstrated a pronounced lethargy in coming to decisions, both before and after 1905. F.G.A. Butler in 1907, for example, recognised in the CEs 'a strong tendency, whenever asked for an opinion on a comparatively minor point, to say that they must 'consider it as one part of a very big question, and that, in the meantime, nothing should be done'; 'interminable delay' that led to 'annoyance and possibly even hardship or serious inconvenience to the Offices of the colony'.[2] On occasion, they also appear to have deliberately sabotaged construction. For example, in 1898, whilst the CO attempted to prevent the Lagos governor taking workers for military purposes, Shelford instructed his RE to 'render the governor every assistance', with the result that four months work was lost.[3]

Although the Agents were confident that the consideration that slow construction increased their remuneration 'had never crossed...(the CEs')...minds', the CEs' salaries, in 1905, were replaced with fees determined by a percentage payment scale based on the estimated cost of work, and paid in annual instalments, with a small proportion held over until after completion.[4] The new fees eliminated the benefits of slow construction, increased estimates and thus reduced cost overruns and criticism, and prevented the CEs effectively maximising their incomes, since the CO would refuse to authorise excessive estimates. They also eliminated the relatively high costs of salary negotiation, and increased the Agents' control of the building process, as the post-construction payment could theoretically be retained if the line was not up to standard.

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[1] CAOG 18/630, p. 13; *Shelford, Some Features*, p. 11.

[2] CO 520/51/24142, Butler, 11 July 1907.

[3] CO 147/137/23173, Antrobus, 17 Dec. 1898.

[4] CO 96/434/17542, CAs to CO, 22 May 1905; CO 520/51/10316, CAs to CO, 21 March 1907.

The CEs lax attitude towards cost was shared by their construction staff and the CAs. The RE and his colleagues were employed only for the duration of the construction of the line, paid by salary, and received no bonuses for rapid completion, which the Agents believed led to poor workmanship.[1] Much time was consequently spent idling, and, on a number of lines, the RE appears to have unilaterally extended schemes. On the Lagos line, for example, the RE constructed, according to Shelford, one bridge that was unnecessary, another that was too large, and a further bridge that was 'open to doubt'.[2] The CAs were similarly unconcerned about high capital costs, provided that they were likely to be covered by receipts.[3] The Agency, through its purchase commission, directly benefitted from high cost projects. Moreover, expenditure was generally not constrained by the size of the financing loan. Because of the Agents' absence from the market from 1899-1901, City preference for loans for completed revenue generating works, and the difficulty of determining final cost, stock was often issued only when construction was over or nearing completion. The Agents, consequently, kept little control over cost and concentrated on the construction of quality lines and the avoidance of corruption. To achieve these aims, they built lines to a high but costly standard, and adopted strategies designed to overcome the principal-agent problems that could lead to the construction of poor quality railways/corruption.

In West Africa, the official standard set by William Shelford, before it became clear that he would build the lines, was one that allowed speeds of up to 15 miles per hour.[4] Similar low standards were laid down in other Crown colonies, and in French

[1] CO 147/101/14697, CAs to CO, 21 Aug. 1895.

[2] CO 147/179/1066, Robinson, 12 Jan. 1906. The RE in charge of the British Honduras Stann Creek railway improved the alignment of the line, undertook heavier works than contemplated, and constructed four trestle bridges without giving 'any indication that he had become involved in works of this size' (CO 123/260/2049, Shelford to CAs, 27 May 1908).

[3] *British Trade Journal*, 1 Jan. 1906, p. 3; *PPE*, q. 518.

[4] *PPP*, p. 23.

and German territories and the US and Canada were widely adopted.[1] The resultant narrow gauge, high gradient, sharp curve pioneer lines were sufficient for the low traffic levels of most undeveloped colonies, could easily be improved as traffic increased, and had low operating expenses. Moreover, they had relatively low capital costs. A narrow gauge reduced material and land expenses, and, able to incorporate tight curves, allowed the construction of cuttings and embankments to be avoided, particularly important in difficult country.[2] High grades and harsh curves resulted in fewer earthworks and cuttings, and lower bridges.[3] While, on a pioneer line, stations, ballast, earthworks, rolling stock etc were reduced to the absolute minimum; inferior works were adopted; and certain facilities, such as fencing and platforms, were dispensed with completely.[4] The low capital costs allowed longer lines to be built, which increased the traffic catchment area and revenue, and, if development subsequently led to the establishment of new trade routes, the lines could be cheaply and easily redirected/replaced.

The CAs and CEs opposed these lines. It was argued that the capital savings were relatively small. For example, the adoption of a 2' 6" as opposed to a 3' 6" gauge reduced costs by only 10%, and the five shilling additional cost of steel sleepers was much reduced if the cost of transporting, sawing and seasoning native wood sleepers was taken into account.[5] Moreover, capital savings were offset by the high operating costs and low carrying capacities of such railways. Pioneer lines increased operating expenses through their light rails, which were less durable than heavier rails; incomplete earthworks and poorly ballasted track, which required a great deal of

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[1] The Congo line, for example, had a gradient of 1 in 25, curves of 2.5 chains, and a speed of only 10 miles per hour (CO 267/442/25905, CAs to CO, 18 Nov. 1898).

[2] E.R. Calthrop, 'Light Railways in the Colonies', *Royal Colonial Institute Proceedings*, xxix (1897-8), p. 100.

[3] Walter L. Webb, *Economics of Railway Construction* (London, 1910), pp. 230, 283-5.

[4] CO 520/52/39371, Shelford to CAs, 1 Nov. 1907; CO 54/685/12279, C.Es to CAs, 19 March 1903. Inferior works included the use of light rails, native wood sleepers, train ferries, steel trestles instead of concrete bridges, and corrugated iron rather than earthenware or concrete culverts.

[5] CO 96/263/17259, Shelford to CAs, 1 Oct. 1895; CO 520/38/22507, report, 28 May 1906.

maintenance; trestle bridges, more likely to collapse than stone built bridges; corrugated iron pipes, which increased the incidence of costly washouts and slips; and native wood sleepers, which had a shorter lifespan and required more maintenance than steel sleepers.[1] In the case of gauge, narrow gauge rolling stock, for which there was less demand than for its broader gauge counterpart, was relatively expensive and prone to mechanical breakdown; narrow gauge lines were comparatively unsafe, particularly in mountainous regions, and therefore subject to costly accidents; and track size had little effect on administration and supervision, the largest component of working costs.[2] Likewise, high gradients and sharp curves increased the danger of derailment, collision and flood, and required relatively more tractive force, which resulted in greater fuel consumption and permanent way/rolling stock wear and tear.[3] High gradients also increased the length of track to be maintained and operated, though there were fewer earthworks to be looked after, and, as traffic rates were set according to mileage, the extra costs were partly offset by additional receipts.[4]

More importantly, such lines had low traffic carrying capabilities. Narrow gauge locomotives were relatively small. High gradients and sharp curves reduced train speeds, limited train length, and, in the case of harsh curves, forced the use of light engines.[5] While a pioneer line's poor standard of construction reduced speeds, its restricted station accommodation made loading difficult, and its light rails forced the use of light engines.[6] Consequently, as traffic levels grew, the limited capacity of low standard lines would cause operating expenses per ton mile to rise, until they offset

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[1] CO 520/52/34138, Shelford to CAs, 19 Sept. 1907; CO 520/52/34939, Shelford to CAs, 27 Sept. 1907; *Calthrop, Light*, p. 101. The life of light rails could be prolonged by the careful laying of sleepers.

[2] *Shelford, Some Features*, p. 41.

[3] CO 54/650/7732, CAs to CO, 5 May 1898; *Webb, Economics of*, pp. 230, 283-5.

[4] *Ibid.*, pp. 243, 247.

[5] *Ibid.*, p. 230.

[6] CO 273/313/6939, CAs to CO, 3 March 1905. Supporters of light railways, however, claimed, somewhat unconvincingly, that, given the use of specially designed light rolling stock with uniform axle load and a maximum speed of 12 to 15 miles per hour, 2' 6" lines could 'compete on something like level terms with the standard gauge as regards both the weight of the goods and the number of passengers carried' (E.R. Calthrop, *The Economics of Light Railway Construction* (Leeds, 1896, pamphlet), p. 23).

the initial capital saving. Eventually, the line would have to be upgraded, which, given the resultant disruption to traffic and revenue loss and comparatively small amount of work involved, would prove relatively expensive.[1] In the case of narrow gauge and light rail lines, an upgrade would additionally lead to a break in gauge and rail weight with other railways, which would increase operating costs, as goods and passengers would have to be transferred at junction stations and duplicate rolling stocks maintained.[2] Junction transhipment would also lead to delay, which would discourage inter- and intra-colony trade and could prove calamitous where stores were urgently required for military purposes.[3]

Apart from the first lines, the CEs and Agents generally recommended the construction of high standard railways, and, from the 1900s, advised that earlier sections be improved to ensure that colonies obtained the maximum benefit from the higher standards adopted on later sections.[4] The only exception to this policy was when it appeared that a colony would have difficulty covering the debt charges of a quality line. In such cases, the Agents occasionally asked the CEs to reduce standards. For example in the case of the Tarkwa-Kumassi line, the Agency required Shelford to reduce rail and sleeper weight, formation width, and the number of stations.[5] Generally, however, a compromise was achieved. Where a 3' 6" gauge was not affordable, the CEs often advised that earthworks and bridges be constructed for a 3' 6" line, but that a 2' 6" track be laid, which would allow the line to be easily upgraded in the future.[6] Moderate gradients were adopted only on the track that was

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[1] CO 446/47/12976, report, 28 Feb. 1905.

[2] CO 446/101/6011, CAs to CO, 21 Feb. 1911; CO 54/641/23524, Selborne, 13 Dec. 1897; *Papers Laid before the Legislative Council of Ceylon*, 1895, xxv, p. 3. Costs decreased proportionately with the length of the line, and could be reduced through the adoption of various appliances (*Calthrop, The Economics*, p. 23).

[3] CO 446/101/6011, CAs to CO, 21 Feb. 1911; CO 54/641/23524, CAs to CO, 28 Oct. 1897; CO 446/47/12976, report, 28 Feb. 1905.

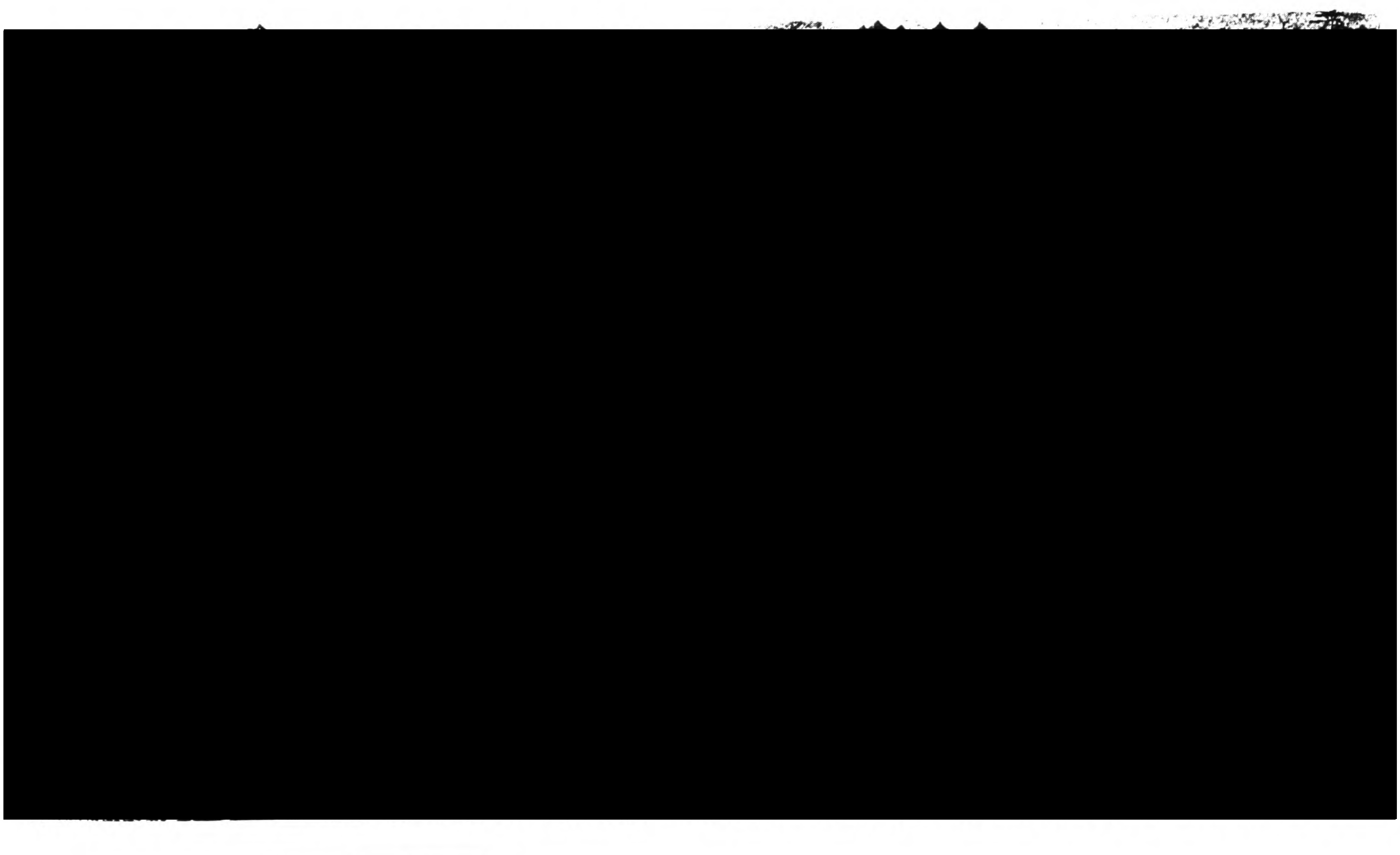
[4] CO 520/70/39569, Shelford to CAs, 23 Oct. 1908.

[5] CO 96/301/25787, report, 30 Oct. 1897. The original standard was later implemented.

[6] eg. CO 520/38/22507, CAs to CO, 22 June 1906; CO 96/449/23032, CAs to CO, 25 June 1906.

Lagos Bush Path Awaiting Track[1]

Niger Bridge, Lagos[2]



[1] *Railway Gazette*, 28 Nov. 1911, p. 61.

[2] *Ibid.*, p. 60.

likely to carry the heaviest traffic, usually the outward line.[1] Temporary bridges were constructed, particularly on railways with relatively few rivers and streams where the upkeep before replacement would not lead to serious inconvenience or expense.[2] While, in the case of the Baro-Kano and Cyprus lines, it was proposed that good second hand permanent way materials be purchased from respectively the Beira and Port Said-Ismalia railways.[3]

Alternatively, the colonies and CO generally preferred lower standards of construction,[4] though a few governors supported quality lines, and, in some cases, demanded improvements to Shelford's recommendations.[5] Although higher standards held out the possibility of greater profits, they also increased the risk of losses if traffic failed to increase.[6] In most cases, however, the CO, unsure of the technical and economic arguments against quality lines, bowed to the better judgement of the CEs and Agents, with the result that, when the expected traffic failed to materialise, the railways proved to be unprofitable.[7]

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[1] eg. CO 96/449/30967, CAs to CO, 21 Aug. 1906; CO 520/84/8675, Strachey, 22 March 1909.

[2] CO 96/449/23032, Shelford to CAs, 21 June 1906; CO 520/51/3975, Shelford to CAs, 21 Jan. 1907; CO 96/366/22488, CAs to Shelford, 15 May 1900; *ibid.*, Shelford to CAs, 29 May 1900.

[3] CO 446/67/4832, CAs to CO, 7 Feb. 1907; CO 67/136/15662, CAs to CO, 28 April 1903. In the event, the material was found to be unsuitable.

[4] Sir R. Herbert, and the Earl of Selborne, the Parliamentary Under Secretary, for example, in 1899, respectively thought that 'good railways...(were)...the bain of poor colonies', and asked 'whether a much inferior and cheaper mode of construction would not abundantly suffice' (CO 267/449/33390, Herbert, 20 Jan. 1899; *ibid.*, Selborne, 20 Jan. 1899). Churchill believed that 'nothing can be more absurd than to lay down a section of the London and Western railway through a wild and poor country just thawing into civilisation' (CO 879/93/845, memo, 18 July 1907).

[5] eg. CO 520/84/8675, Strachey, 22 March 1909; CO 520/51/18323, CAs to CO, 23 May 1907; CO 147/177/34063, report, 9 Aug. 1905.

[6] CO 54/650/7732, Lucas, 14 April 1898.

[7] eg. N. Nigeria and Ceylon wished, respectively, the Baro-Kano and Bauchi lines and the third section of the Northern railway and Kelani Valley line to have 2' 6" gauges (CO 446/47/12976, report, 28 Feb. 1905; CO 446/101/6011, CAs to CO, 21 Feb. 1911; CO 54/641/23524, CAs to CO, 28 Oct. 1897; CO 54/650/7732, CAs to CO, 5 May 1898); Ceylon, Sierra Leone and the Gold Coast preferred, respectively, the Kelani Valley and Nanu Oya-Uda Pussellawa lines, the Freetown-Songotown line and the Prestea line to have high gradients/sharp curves (CO 54/650/7732, CAs to CO, 5 May 1898; CO 54/650/10594, CAs to CO, 11 May 1898; CO 267/420/18005, Shelford to CAs, 1 Oct. 1895; CO 96/412/39661, report, 22 Oct. 1903); and N. Nigeria and Ceylon wished to adopt a pioneer standard for, respectively, the Jebba-Zungeru and Baro-Kano lines and the Kelani valley railway (CO 520/52/32484, CAs to Egerton, 4 Sept. 1907; CO 446/47/12976, report, 28 Feb. 1905; CO 54/650/7732, CAs to CO, 5 May 1898).

Costs were further raised by the strategies - targeted recruitment, the provision of incentives and monitoring - adopted by the Agents to tackle the adverse selection and moral hazard that could lead to the construction of poor quality lines/corruption. In the 1870s, the Agents acted as their own CEs, designing and supervising schemes themselves.[1] It was then decided that such work was 'not the business of a CA' and professional consultants began to be employed.[2] When recruiting new CEs, the Agents canvassed their existing engineering consultants for recommendations, thus avoiding the problem of adverse selection and adding a social cost to opportunism/the provision of poor quality services.[3] They tended to select men at the top of their profession, for whom the financial cost of opportunism would be high, leading to the loss of their commercially valuable high status, and who had generally been involved in works of similar size to those in the Crown colonies. Such men, however, were often over-qualified for the projects for which they were employed, and, as a result, perhaps expended little effort on the work. In the case of the 1907 Lagos harbour scheme, for instance, the CEs employed another far less prestigious firm of CEs to deal with the mundane design, inspection and construction of the harbour dock.[4] The CEs were employed for long periods, often 20-30 years. Long-term relationships allowed the Agents to avoid the adverse selection problems of recruitment; encouraged the engineers to give free ad hoc advice to poor colonies and the CO; and, as ineffective work and malfeasance would result in dismissal, increased the cost of poor construction and opportunism.[5] The Agents also gained knowledge of the CEs' working practices, reducing the problems of asymmetrical information, and the CEs obtained valuable experience of the operation of the department system and of the conditions in the particular Crown colonies in which they worked, and were encouraged to 'keep themselves up to date in matters' that had a bearing on

[1] CO 323/548/45741, Antrobus, 4 Jan. 1908.

[2] *Ibid.*

[3] E.C. Baker, *Preece and those who Followed* (Brighton, 1980), p. 3.

[4] CO 520/51/197158, report, 28 May 1907.

[5] In 1903, the CE Osbert Chadwick, for example, wrote, for no fee, a memo for the Secretary of State on the contribution of high water rates on the Trinidad riots (CO 295/421/13253, CAs to CO, 9 April, 1903).

construction in these colonies.[1]

In West Africa, the risk of poor construction and malfeasance was further reduced by the employment of Sir William Shelford, whose dependence on the Agency for work increased the cost of poor quality works/opportunism, and whose family connections with the Agents and CO added a social cost and further reduced the problems of adverse selection.[2] The advantages of nepotism, however, were partly offset by Shelford's lack of African building experience.[3] He was also in poor health, and much of the work was completed by his son, Frederic, who, when he became a partner in the firm in 1899, was just 28 and had been an associate member of the Institution of Civil Engineers for only two years.[4] Frederic Shelford's engineering skills were rated poorly by the CO: the Clerk, A. Fiddean, in 1905, accepting that 'no one has much confidence in Mr Shelford'.[5] Nevertheless, on his father's death in June 1905, he was retained as West African railway CE, having entered into a 'partnership' with the CE Sir Benjamin Baker, which, Ommanney assured the CO, fulfilled the requirement that the consultant appointed should have 'an established reputation of the highest class and a name which carries weight'.[6] In fact, Baker played little part in West African

[1] CO 323/504/2864, CAs to CO, 10 Aug. 1905.

[2] CO 96/488/4266, Ellis, 3 March 1909.

[3] Shelford, though, did have some overseas experience, having reported on railway schemes in Italy and Argentina, advised the Newfoundland government on engineering matters, and supervised the construction of the Winnipeg to Hudson Bay railway (*Dictionary of National Biography* (Oxford, 1912), p. 304).

[4] *Shelford, The Life of*, p. 116; *The Engineer*, 6 Oct. 1905, p. 343; ICE, *List of Members, 1897.*

[5] CO 96/488/3152, Fiddean, 16 Feb. 1909. For example, in 1905, C. Strachey stated that Shelford's proposal to extend a possible S. Nigerian line was 'moonshine'; in 1907, an official found Shelford's contradictory schemes for the provision of water for locomotives to be 'a little difficult to follow...(they) do not tend to increase one's confidence in their opinion'; in 1908, F.G.A. Butler believed Shelford's rejection of a Niger footbridge was 'a brilliant flight of imagination, rather than a serious argument'; and, in 1910, the Clerk W.D. Ellis commented that 'it is...true that it is difficult to ascertain the best route...in bush country, but I must say Shelfords' and their engineers appear singularly unsuccessful' (CO 520/32/868, Strachey, 26 April 1905; CO 520/52/37693, note, 5 Nov. 1907; CO 520/70/35423, Butler, 1 Oct. 1908; CO 96/501/31724, Ellis, 19 Oct. 1910). Sir P. Girouard had an equally low opinion of Shelford's capabilities (LP: mss Brit. Emp. s. 63, Girouard to Lugard, 25 Jan. 1908). The journal *WA* believed him to be 'incompetent' and prone to 'incredible inefficiency and bungling' (*WA*, 24 Oct. 1903, p. 446; *ibid.*, 19 Dec. 1903, p. 644). In 1915, by which time his work for the Agency had largely disappeared, Shelford re-trained as a barrister, practising at the Parliamentary bar from 1917 (CAOG 10/55, Elliott-Cooper to CAs, 7 June 1915; *The Engineer*, 6 Aug. 1943, p. 111; *The Times*, 2 Aug. 1943). He later bought and managed a Nyasaland tea plantation (SA: clipping, approx. 1920).

[6] CO 323/492/28934, Ommanney, 20 Aug. 1904. Baker was a former employer and close friend of Sir William Shelford (*MPICE*, clxiii (1905-6), p. 385).

construction, and, on his death, the CO, concerned about Shelford's poor engineering skills, insisted that his proposed partnership with the CE Robert Elliott-Cooper be a 'working partnership, and that the partners will have their offices and will work together in the same house'.[1] In the event, they were again disappointed. Shelford and Elliott-Cooper were 'not associated in any understanding, other than those connected' with the Crown colonies, and Shelford appears to have completed the work alone.[2]

The Agents paid the CEs a set fee plus expenses for their pre-construction work, and, for their supervision of construction, a fee plus expenses in developed countries, and, in West Africa, a salary and expenses, and, from 1905, a fee based on estimates. The salary continued to be paid for six months after construction had been completed to give the CEs time to wind down their business, and salaries/fees were occasionally supplemented by commissions for the inspection of plant and materials.[3] The remuneration was the subject of much colonial and CO criticism. It was claimed that the fees/salaries were higher than those paid by private clients or other government departments, and that Shelford's remuneration was greater than that of other CEs employed by the Agency. The Agents, supported by Sir Montague Ommanney, strongly defended themselves against all three charges. CE remuneration was generally 'absurdly' below that received from private clients, particularly if the far greater correspondence was taken into account.[4] In many cases, this appears to have been the case, though the CEs' lower profits were offset by the absence of costly site visits, the size and regularity of Crown colony income, and the commercial value of their position, which attracted private business. On other occasions, however, the CEs appear to have been paid far above private rates. For example, to produce a report on the Johannesburg water supply scheme, Mansergh received a fee of 7,000 guineas plus

[1] CO 96/474/4194, Antrobus, 13 Feb. 1908.

[2] CAOG 10/55, Elliott-Cooper to CAs, 7 June 1915.

[3] CO 96/434/17542, CAs to CO, 22 May 1905. eg. CAOG 10/11, Coode to CAs, 10 Jan. 1900; CO 273/249/33676, Straits to CO, 9 Nov. 1899.

[4] CO 323/517/2000, Ommanney, 1 May 1906; CO 273/304/18280, Cameron, 4 June 1904; CO 87/174/2283, Ommanney, 28 Jan. 1905.

expenses for himself and a servant, fees of 2,000 to 2,500 guineas for two assistants, and a 500 guinea fee for his wife and a servant, who would accompany him during his two month stay in the colony; Chamberlain commenting that other engineers would 'jump at the opportunity for only a third of the sum'.[1]

The second and third charges appear to be borne out by a 1907 comparison of CA and FO CE fees (Table 5), which shows that the Agents' consultants earned more than Messrs Rendal & Robertson, who constructed the FO and departmentally built Uganda railway, and that Shelford's remuneration was greater than Messrs Gregory Eyles & Waring, who worked in the Far Eastern Crown colonies. Although the Agents claimed that Shelford's relatively high fees were due to the closer supervision of West African construction, the CO believed that the firm was 'addicted to asking too much' and paid 'too liberally', and, on one occasion, noted that Sir Maurice Cameron awarded the company higher fees than his colleague Sir Ernest Blake.[2] After Ommanney's retirement, the Agents accepted that the firm was too highly paid, and their fees were

Table 5: CA and FO Railway CE Construction Fees 1897-1906[3]

CE	**Cost of works supervised (£m)**	**% of salary to cost**	**% of expenses to cost**	**% of total remuneration to cost**
Shelford & Son (CAs, West Africa)	4	0.6	0.9	1.54
Messrs Gregory Eyles & Waring (CAs, Far Eastern colonies)	5.8	0.2	0.28	0.49
Messrs Rendal & Robertson (FO, Uganda railway)	4.9	0.074	0.075	0.149

[1] CO 291/46/44512, CAs to CO, 27 Oct. 1902; *ibid.*, Chamberlain, 31 Oct. 1902.

[2] CO 96/488/4266, Antrobus, 13 May 1909; CO 96/488/4172, note, 12 Feb. 1909. The CAs denied the charge (CO 96/488/7934, CAs to CO, 5 March 1909).

[3] *PP 1907*, lvi (103); CO 323/527/8695.

progressively reduced to the point where the CO feared that they were in the danger of being treated illiberally.[1]

It seems likely that relatively high fees/salaries were at least partly set to increase the cost of dismissal to the CEs due to poor construction/opportunism. In addition, remuneration was increased by the employment of high status CEs, who were much in demand; the CEs' asset specificity ie. knowledge of Crown colony conditions etc; the high opportunity cost of colonial visits by the CEs' staff; and the Agents' decision to pay the CEs a salary for the supervision of construction. The Agents were also poor negotiators, finding 'haggling...very unpleasant', and argued that if they forced a consultant to accept a lower salary and he refused, it would be difficult to obtain a replacement willing to take responsibility for the designs, with the creation of fresh plans increasing costs and leading to delay.[2] They additionally had great difficulty, particularly in West Africa, accurately forecasting project workload, and monitoring both fees, for which there was no set scale, and, more importantly, expenses.[3] The latter were a particular bone of contention with the CO, who strongly suspected that out-of-pocket claims were artificially inflated.[4] The Agents, consequently, occasionally placed limits on expenses, and, in 1909, introduced a combined personal fee/expense commission.[5]

To avoid construction staff principal-agent problems, the Agents insisted that REs be appointed by the CEs, who generally chose experienced, though often unqualified, men, with whom they subsequently had long relationships.[6] Demands by colonies that

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[1] *Ibid.*, Blake, 7 Sept. 1909; CO 520/69/18125, CAs to CO, 19 May 1908; CO 96/488/4172, CAs to CO, 4 Feb. 1909; CO 96/488/4266, Antrobus, 13 May 1909.

[2] CO 96/434/17542, CAs to CO, 22 May 1905; CO 54/672/19122, CAs to CO, 3 June 1901.

[3] *Ibid.*

[4] eg. CO 87/176/26414, Darnley, 4 Aug. 1906; CO 520/26/40785, Strachey, 18 Jan. 1904; CO 446/77/12798, Butler, 21 April 1908.

[5] eg. CO 96/325/6640, CAs to CO, 24 March 1898; CO 96/488/7934, Blake, 7 Sept. 1909.

[6] Neither of the two REs regularly appointed by Shelford, W. Bradford and P. Hayton, were qualified engineers (*Shelford, The Life of*, p. 117; ICE, *List of Members*, 1895-1905).

Indian or army engineers, or directors of local PWDs or open lines departments be employed were generally resisted. The recruitment of Indian engineers and army officers would lead to 'delay and difficulties', and Indian engineers were believed to be poorly trained.[1] As regards local officials, it was admitted that their use would have advantages. They were trusted by colonial governments, and therefore less likely to be the subject of criticism, and their appointment would improve the morale of other colonial technical staff.[2] Their recruitment, however, increased the risk of poor quality construction. Most lacked the necessary experience or qualifications for such a role, and would be too preoccupied with their normal duties to fully concentrate on construction.[3] They would thus delegate tasks, leading to a division of responsibility, which would weaken one of the incentives, the certainty of punishment, that encouraged the provision of satisfactory work. There was also a danger that they would place greater weight on the views of the colonial government, on whom their future livelihood would depend, than those of the CE.[4] Furthermore, if allowed to devote all their time to new works, they would have to be replaced by someone inevitably less effective, and, when they returned to their posts, would suffer from low morale/motivation.[5]

Construction staff remuneration was again high. West African salaries were generally three times those paid in the UK, and, in 1897 in Lagos, slightly higher than those of S. American railway engineers.[6] In addition, workers obtained four months paid leave per year, free passage to and from the colony, free medical attention, and invalidity and widow allowances, and the CEs, unbeknown to the Agents, manipulated leave regulations to ensure that staff, on completion of works, were dismissed only after

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[1] CO 147/172/42513, CAs to CO, 16 Dec. 1904; CO 446/12/5881, CAs to CO, 21 Feb. 1900.

[2] CO 96/512/447, CAs to CO, 5 Jan. 1911.

[3] *Ibid.*; CO 96/301/5899, CAs to CO, 20 March 1897.

[4] *Ibid.*

[5] CO 96/512/447, CAs to CO, 5 Jan. 1911.

[6] CO 147/168/8585, report, p. 35.

they had taken their leave.[1] Those who had performed satisfactorily could also expect to be employed by the CEs on future construction projects, or recommended by them for posts in colonial open line departments and PWDs.[2]

These rewards were inevitably the subject of much colonial and some CA and CO criticism. The Agents believed the remuneration to be 'somewhat excessive', and the CO clearly recognised the CE's tendency 'to recommend unduly high salaries', and, on occasion, requested rates to be reduced.[3] Remuneration was generous, again, to increase the cost of opportunism/poor construction and dismissal. Also, salaries were paid by the constructing colony, which deprived the CEs of the restraint that would have emerged had they been obliged to meet remuneration from their own fees. In addition, high incomes were required to attract sufficient workers to projects, and, in colonies such as S. Nigeria, to prevent those appointed from being poached by mining companies when they arrived in the colony.[4] In West Africa, however, high salaries proved an insufficient lure, and the CEs often found it difficult to recruit experienced assistant engineers. There were thus a number of colonial complaints about the poor quality of the people employed, and MacGregor, the Gold Coast governor, believed that the appointment of candidates with little or no tropical experience contributed to the high invalidity/death rate among construction staff.[5]

Indigenous labour was recruited by the RE or the colonial administration, either individually, or, in the case of earthworks, through native sub-contractors, who agreed

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[1] CAOG 13/282, Shelford to CAs, 4 Sept. 1896; *ibid.*, CO to CAs, 16 May 1899; CO 267/481/14136, CAs to CO, 27 April 1905.

[2] Construction staff were employed in the Gold Coast Kumassi and Lagos open line departments (CO 96/412/16349, Shelford to CAs, 24 May 1903; CO 520/109/1087, Shelford to CAs, 30 Dec. 1910).

[3] CO 267/481/14136, CAs to CO, 27 April 1905; CO 520/69/4941, CO to CAs, 25 March 1908. eg. *ibid.*, CAs to CO, 10 Feb. 1908; CO 147/101/11613, CO to CAs, 17 July 1895.

[4] Recruitment was difficult, owing to the temporary nature of the work; the harsh and unhealthy climate; the Agents' refusal to countenance the payment of rapid completion bonuses; and the general shortage of engineers, due to the worldwide boom in railway construction (CO 147/101/11613, Hemming, no date; CO 147/122/17479, CAs to CO, 9 Aug. 1897; CO 147/101/14697, CAs to CO, 21 Aug. 1895).

[5] eg. CO 147/177/34063, Egerton, 3 Sept. 1905; CO 147/122/4233, CAs to CO, 24 Feb. 1897. CO 147/168/8585, CAs to CO, 4 March 1903.

to complete a certain amount of work for a given fee.[1] Sub-contractors freed constructors from the need to recruit labour; could obtain greater productivity from workers, who were generally members of their own family/tribe, than a European foreman; and, unlike foremen, could, if ineffective, be easily dismissed.[2] In Cyprus, the CEs proposed that 'practically the whole work' be let out to sub-contractors, but were opposed by the CO, who believed that such extensive contracting would be as costly as placing the whole project 'in the hands of a single contractor, but without the compensating advantage that it would be in the hands of the best expert in the trade'.[3] The rates paid were again relatively high (Table 6), both to increase the cost of dismissal and to attract the best men. In addition, in West Africa, remuneration was increased by the rapid starts to construction; the general scarcity of labour; in the Gold Coast, competition from mines; and the unpopularity of the work, due to the ill treatment of labourers by sub-contractors. Recruitment by colonial political staff, a supposed advantage of the department system, may also have contributed. Colonial officials, through their good relations with Chiefs and their ability to organise the import and repatriation of workers, ensured a good supply of labour, and prevented friction between the indigenous population and constructors.[4] However, wishing to maintain their good relations with tribes, they may have ensured that labourers

Table 6: West African Unskilled Labour Rates 1904[5]

Colony	**Rate per day (s/d)**
Sierra Leone	10d
Gold Coast	1/3d
Lagos	1/-
Kayes Niger	5.25d
Dahomey	6.5d

[1] *Shelford, Some Features*, p. 11.

[2] CAOG 18/119, p. 133.

[3] CO 67/136/28061, report, 15 July 1903; *ibid.*, Meade, 19 Aug. 1903.

[4] CAOG 10/96, memo, Jan. 1904; *PP 1924*, viii (Cmd 2016), p. 9.

[5] *PPP*, p. 22. 1904 exchange rate 1 franc = 8.75d. The French rates are 'unofficial'.

obtained fair terms and that agreements were not broken. Furthermore, in N. Nigeria, government officials demanded that workers be paid by the day, which added to administration costs; opposed the use of sub-contractors; and stipulated that, to prevent the disruption of agriculture, natives could be employed for only two months, which increased training costs and reduced labour effectiveness.[1]

Monitoring took a number of forms. Until 1896, the CEs prepared quarterly reports on the progress of works, and thereafter, owing to the heavy workload, half yearly reports and quarterly statements, which they sent to the Agents, who passed them, with their own comments, to the CO.[2] All CE/RE correspondence passed through the office of the governor of the constructing colony and the CAs. While works accounts were audited by the colony concerned, and all railways were inspected by an engineer or the manager of the open line department before they were handed over to the colony.[3] These monitoring strategies, however, led to delay and were expensive. CE/RE correspondence was often detained by governors for long periods and the preparation of progress reports was time consuming.[4] They were also ineffective, perhaps designed more to ward off criticism than to effectively monitor work. The CO implicitly trusted the advice and information provided by the Agents and CEs, accepting that 'when an expert is called in, one is very much in his hands', and believing that the CEs' reputation was 'a sufficient safeguard against fraud'.[5] The Office, in any case, lacked the technical expertise and experience, time and inclination to judge the accuracy of the information provided, which, to minimize criticism, was perhaps deliberately presented by the CEs in a highly technical and lengthy form. Colonial and other criticisms of construction were usually dealt with by Sir Montague

[1] *Shelford, Some Features*, p. 79; W. Oyemakindo, 'Railway Construction and Operation in Nigeria 1895-1911', *Journal of the Historical Society of Nigeria*, vii (1974), p. 307, 317.

[2] CO 147/108/21605, Shelford to CAs, 16 Oct. 1896.

[3] CO 267/460/36490, CAs to CO, 18 Oct. 1901.

[4] eg. CO 147/177/24341, CAs to CO, 12 July 1905.

[5] CO 267/449/1979, Harris, 26 Jan. 1899; CO 129/359/28826, CAs to CO, 27 Aug. 1909. Similar views were expressed in CO 520/69/18125, Butler, 27 May 1908; CO 525/10/9841, Lyttelton, 1 April 1905; CO 96/461/9405, Butler, 22 March 1907 and CO 147/101/14697, Meade, 22 Aug. 1895.

Ommanney, who, unwilling either to criticise his former employer or son-in-law, generally supported the CEs. A suggestion that, where technical disputes existed between the consultants and colonies, the Secretary of State should seek the advice of the WO ordnance department was rejected on the ground that such referrals would only increase friction.[1]

The CAs, similarly, accepted information provided by the CEs in good faith, only checking advice very occasionally.[2] Because the West African railway projects were 'more a question of policy rather than of engineering', they were supervised by Sir Ernest Blake, who, having no engineering experience or knowledge, did 'not pretend to deal with engineering matters', which he left to the CEs.[3] Likewise, Sir Maurice Cameron had no experience of railway construction, though he was an engineer and no doubt gained much knowledge through the completion of his work, and the Agency, in order to save costs, employed no staff specifically to monitor building.[4]

The CEs also had difficulties monitoring construction. The Agents believed that, based in London, they could exercise only 'a limited control', and W.D. Ellis, dismissed their efforts as 'distinctly futile'.[5] Given their connection with the building process, they would, in any case, have been unlikely to draw attention to any errors or irregularities that came to light, a point acknowledged by Frederic Shelford himself,

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[1] CO 323/553/39753, Green, 8 Dec. 1909 ; *ibid.*, Harris, no date.

[2] eg. CO 273/304/42851, CAs to CO, 19 Dec. 1904; CO 54/696/22587, CAs to CO, 29 June 1905; CO 147/101/19160, CAs to CO, 31 Oct. 1895. The Agents appear to have even failed to thoroughly check the CEs' accounts. Shelford's 1903 mistaken inclusion of his Gold Coast charge in his accounts for Nigeria and Lagos went unnoticed (CO 147/168/5330, CAs to CO, 9 Feb. 1903). The Agents were unable to use their various CEs to monitor each other, as most had social or professional relationships. For example, Sir William Shelford was a former employee, and, from 1888, a neighbour of the CE Sir John Fowler, who had been in partnership with the CE Sir Benjamin Baker, who, in turn, had at one time been an employee of the CE Sir John Hawkshaw (*Shelford, The Life of*, p. 106; *Dictionary of National Biography* (Oxford, 1901, 1912, 1927)). The CE Sir John Coode had served his articles with the father of the CE Sir A.M. Rendel, who was the uncle of the CE J.M. Dobson, and the CE James Mansergh had worked with the CE Sir Robert Rawlinson, who had trained with the CE Sir John Hawkshaw (*MPICE*, clxi (1904-5), p. 350; *ibid.*, cxvii (1923-4), p. 448).

[3] *PPE*, q. 1123.

[4] Before joining the Agents, Cameron had been Deputy Colonial Engineer and Surveyor-General in the Straits, where his work had entailed the construction and maintenance of roads, bridges and public buildings (CPM, p. 85).

[5] CO 147/172/42513, CAs to CO, 16 Dec. 1904; CO 96/512/34704, Ellis, 2 Nov. 1911.

Frederic Shelford[1]

[redacted]

[redacted]

Sir William Shelford[2]

[redacted]

Track Laying in N. Nigeria[3]

Railway Construction in N.Nigeria[4]

[redacted]

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[1] RH: F. Shelford, Album, *Page's Weekly*, 11 Aug. 1905.

[2] *Shelford, The Life of.*

[3] *Railway Gazette*, 28 Nov. 1911, p. 238.

[4] E.D. Morel, *Nigeria, Its Peoples and Its Problems* (London, 1908).

who, in 1908 admitted that he was 'reluctant to criticise...(the British Honduras RE)...as we sent him to the colony'.[1] Monitoring was largely based on the information provided by the RE in correspondence with the CEs and monthly progress summaries. However, African summaries omitted details of the cost of each item of works, as the collection of such information involved 'a great deal of labour and expense, is cumbersome and unreliable'.[2] In addition, none of the information supplied was checked by the CEs, allowing, as C. Harris pointed out, REs to omit or falsify facts.[3] Site visits were relatively rare. William Shelford, for example, never visited West Africa, and his son made only three trips from 1897-1907.[4] Although Shelford believed that visits were 'of considerable value...(and) often result in savings in cost and other advantages far in excess of the comparatively small sum involved', the CO regarded them as 'expensive luxuries'.[5]

The inspection of the line was again unlikely to be overly critical. Inspection engineers were appointed by the CEs, and, in the case of the Ibadan-Oshogbo line, Frederic Shelford acted as inspector.[6] Similarly, open line managers were unlikely to criticise the CEs, who had recruited them, advised the colony on their salaries, and on whom they would depend for selection if they wished to move to a post in another colony. Attempts by the CO to introduce some form of independent inspection were rebuffed by the Agents and CEs. In 1901, wishing to avoid a proposed Lagos enquiry into the working of the Lagos-Ibadan line, Shelford suggested the appointment of an 'independent' inspector, ideally the RE Mr Bradford, who had a long association with

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[1] CO 123/260/20495, Shelford to Swayze, 26 May 1908. Similar points were made by Antrobus and W. Egerton, the governor of S. Nigeria (CO 96/427/5543, Antrobus, 23 Feb. 1905; CO 147/172/42359, Antrobus, 19 Dec. 1904; CO 147/172/42513, CO to Egerton, 6 Jan. 1905).

[2] CO 147/172/42513, CO to Egerton, 6 Jan. 1905.

[3] CO 96/347/20621, Harris, 13 Nov. 1899.

[4] *Shelford, The Life of*, p. 116.

[5] CO 123/260/37841, Shelford to CAs, 6 Oct. 1908; CO 96/461/34132, Butler, 26 Sept. 1907. See also CO 123/260/20495, note, 3 Aug. 1908.

[6] CO 520/51/1283, CAs to CO, 9 Jan. 1907.

the firm.[1] When, however, the CO attempted to put the proposal into action and appoint an engineer to visit West Africa each dry season and report on 'the condition and management of lines', they met with strong opposition. The Agents and CEs, whose own candidate was now no longer available, claimed that an inspector would be expensive, difficult to recruit, and 'introduce a disturbing factor in the organization of the construction of works and working of lines'.[2] Undeterred, the CO resubmitted the proposal, stressing that the engineer would merely inspect open lines, but was advised that the appointment should be postponed until the Gold Coast line was open. The Agents and CEs would then have greater experience of line operation, and could more easily recruit the ablest candidate.[3] In 1904, the CO therefore again raised the matter, proposing that the inspector should be based in West Africa, and, additionally, assist colonial governments in the control and supervision of operation department managers. Fearing criticism and the loss of much of their open lines work, the CEs, supported by the Agents, again blocked the proposal. It was argued that the Secretary of State would find it difficult to recruit a sufficiently experienced engineer at a reasonable salary. Moreover, such an engineer would constitute 'a special commission of enquiry', which, given the lack of any 'grave emergency', could not be justified.[4] The CO, after a number of further unsuccessful attempts to persuade the Agents and CEs to accept independent inspection consequently abandoned the proposal.

The monitoring of construction within colonies was equally feeble. The long leave periods and high invalidity/mortality levels led to constant changes of RE, which made the supervision of construction staff difficult. Furthermore, the Agents insisted that the RE be under the direct control of the CE, as regards technical matters, and governors were asked not to intervene in the construction process and to report any criticisms

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[1] CO 96/400/49668, Ezechiel, 22 Dec. 1902; *ibid.*, Ommanney, 27 Jan. 1903.

[2] *Ibid.*; CO 96/400/34890, Shelford to CAs, 18 Aug. 1902.

[3] CO 96/400/49668, CAs to CO, 29 Nov. 1902.

[4] CO 96/423/5157, Shelford to CAs, 2 Feb. 1904.

to the Secretary of State.[1] The policy was designed to ensure that lines were built to the agreed standard, that CEs could be held directly responsible for works, and that the position of the RE was not undermined, and to avoid delays.[2] Needless to say, the ruling resulted in much resentment from colonial governments, who felt that they had no control over the construction of their own infrastructure,[3] and led to a number of bitter clashes between governors and REs.[4] The Agents, at first, had little sympathy for the colonies, who they claimed had countless opportunities to influence and monitor building, and actually chose 'to assume an attitude of helpless spectators'.[5] Pressure from the CO, however, caused them to slightly relax the rules. In 1902, in Lagos, CE/RE correspondence additionally went through the office of the open lines manager, who, on behalf of the governor, could inspect the site at any time.[6] In addition, in 1906, REs were placed under an obligation to 'furnish direct to the colonial government any information required'; to follow the governor's wishes, provided that they were consistent with sound engineering, in all matters 'effecting the use of works when completed' eg. the position and design of stations etc; and to refer to the colony with regard to questions that would effect colonial relations with indigenous populations.[7] Governors, though, were still discouraged from intervening in the construction process unless the matter was urgent.[8] Whether governors would

[1] CO 96/347/20621, CO to Gold Coast, 30 March 1900.

[2] *Ibid.*, Harris, 13 Nov. 1899; CO 267/460/13520, CAs to CO, 17 April 1901; CO 96/347/21804, CAs to CO, 17 Aug. 1899.

[3] eg. CO 273/276/22964, CO to Straits, 26 July 1901; CO 273/304/25655, CAs to CO, 20 July 1904.

[4] In 1900, the Sierra Leone governor complained that the RE had refused to allow him to borrow the construction staff's medical officer to meet a local emergency (CO 267/453/28625, SL to CO, 14 Aug. 1900); in 1899, the Gold Coast governor criticised the RE's failure to consult him on his decision to allow the construction doctor to return to Britain and on his lenient treatment of an assistant engineer; and, in 1902, the Lagos governor complained of the RE's failure to consult him on the allocation of stations or movement of construction materials by river (CO 96/347/20621, CAs to CO, 4 Aug. 1899; CO 96/347/21804, CAs to CO, 17 Aug. 1899; CO 147/163/10897, Shelford to CAs, 7 March 1902; CO 147/163/15038, CAs to CO, 17 April 1902). Where a governor and CE were on good terms, disputes were often avoided by both parties flouting the rule through private correspondence. The governor of the Gold Coast, Sir Matthew Nathan, for example, raised any problems directly with Shelford (NP: mss Nathan 313, Nathan to Shelford, 8 Oct. 1903; *ibid.*, Shelford to Nathan, 10 Nov. 1903).

[5] CO 273/304/25655, CAs to CO, 20 July 1904; CO 273/276/22964, CO to Straits, 26 July 1901.

[6] CO 147/172/42513, CO to Egerton, 6 Jan. 1905.

[7] CO 96/449/38627, CAs to CO, 19 Oct. 1906; CAOG 10/97, memo, Feb. 1906.

[8] *Ibid.*, memo, Feb. 1906.

have actively monitored construction had they been allowed, however, is questionable. Most regarded the Agents as part of the home government, and perhaps feared that, even indirect, criticism would harm their careers.

The result of the poor level of monitoring was that lines were costly and poorly constructed. In addition, there appears to have been a degree of corruption, which further increased cost and reduced quality. The Hon. C. Williams, a member of the Lagos Legislative Council, declared in 1905 that the colony's line had been built 'by people intent on filling their pockets by a system that lends itself to a gigantic swindle'.[1] The West African merchant John Holt believed William Shelford and his son to be 'knaves and fools', and wrote of the 'jobbery' that characterised construction.[2] Although such claims are, no doubt, an exaggeration, there were numerous cases of fraud among construction staff. In 1901, the Gold Coast governor complained that European workers had consumed large quantities of champagne, claret, brandy and whisky, which had been charged to the medical account as 'medical comforts'.[3] Similarly, in Lagos, in 1900, three foremen were dismissed for dishonesty, and, in 1902, an engineer and the assistant accountant of the Tarkwa line were found to be fraudulently letting work to indigenous sub-contractors at one price and entering a higher price on the receipt sheet.[4]

There were also two major scandals involving CEs. In 1907, Messrs Preece and Cardew were accused by the Straits governor of 'trying to do a little job, and put some business the way of other clients', when, after completing a report on the construction of the Tanjong Pagar dock generating station, they passed valuable

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[1] *West African Mail*, 27 Jan. 1905, p. 1046.

[2] HP: mss Afr. s. 1525, 18/14, Holt to Morel, 23 Nov. 1902; *ibid.*, Holt to Morel, 22 April 1903.

[3] *Pflaumer, The Politics*, p. 107.

[4] CO 147/152/24141, CAs to CO, 25 July 1900; CO 96/386/42608, R.E. to Shelford, 27 Aug. 1901. See also CO 267/490/27768, Fiddean, 25 June 1906 and CO 267/490/40090, CAs to CO, 30 Oct. 1906. Such practices were, to some extent, encouraged by the colonies' refusal to prosecute, which had a 'mischievous and demoralising effect' on the rest of the staff (CO 96/386/42608, CAs to CO, 3 Dec. 1901).

information onto a company that wished to supply electricity to the dock.[1] More importantly, in 1900, Frederic Shelford arranged with the Ashanti Goldfields Corp., the part financier of the Tarkwa-Obuassi line, for the RE to receive £1,000 and the construction staff £400 if the line reached the company's mines by 31 May 1901, and the RE to obtain a further £100 for each month saved on that date.[2] He also presumably negotiated a personal bonus. In the event, the mines were reached in early January 1901, but at great cost; extra labour was imported from Lagos, and the line was poorly constructed and a number of bridges subsequently collapsed.[3] Although Shelford personally informed the company that 'the CO had no objection' to the payments, he had in fact failed to inform them or the CAs of the offer, because, he claimed, it was 'unofficial'; an explanation Butler found 'unworthy'.[4] However, supported by Ommanney, who claimed that the speed of construction had not effected quality, Shelford continued to be employed as CE, merely receiving a reprimand for his behaviour.[5]

5.1.ii Unprofitable lines

A final strategy adopted by the Agents and CEs to maximise their incomes was the encouragement of CO authorization of lines, which led to the construction of uneconomic works. CO approval was encouraged in three ways. In West Africa, the CEs firstly constantly recommended that the CO sanction reconnaissance surveys, and to encourage acceptance, appear to have underestimated their cost.[6] Such surveys

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[1] CAOG 10/53, Anderson to Cameron, 21 March 1907. The Agents and CEs denied the accusation (*ibid.*, CAs to Anderson, 18 April, 1907).

[2] CO 96/424/36637, Shelford to CAs, 10 Oct. 1904.

[3] CO 96/434/17000, report, 3 May 1905; CO 96/423/5720, Butler, 20 Feb. 1905; *WA*, 12 Sept. 1903, p. 284.

[4] GL: Ashanti Goldfields Corp., ms 14164/1, no. 141; CO 96/423/5720, Butler, 20 Feb. 1905; CO 96/424/36637, Shelford to CAs, 10 Oct. 1904.

[5] *Ibid.*, Daniel, 12 Nov. 1904; *ibid.*, Shelford to CAs, 10 Oct. 1904; *ibid.*, CO to CAs, 5 Jan. 1905. Shelford had a close relationship with the Corporation. In January 1903, the Secretary arranged for a complimentary article on Shelford to appear in the press (GL: Ashanti Goldfields papers, ms 14172/180, Raw to Shelford, 23 Jan. 1903). In March 1903, Shelford renegotiated, without CO authorization, a legally binding railway sidings agreement that the Corporation regarded as excessively generous to the Gold Coast (*ibid.*, ms 14172/183, Raw to Shelford, 10 March 1903; ms 14164/2, no. 42).

[6] eg. CO 446/34/5822, CAs to CO, 12 Feb. 1903; CO 147/163/16292, Antrobus, 25 June 1902; CO 147/158/42531, CAs to CO, 2 Dec. 1901; CO 96/325/2259, Mercer, 12 Feb. 1898.

encouraged discussion, and, if they were published, led to pressure from outside bodies for construction, which, along with their high cost, helped to commit the Secretary of State to a project.[1] Likewise, on the completion of a location survey, the CEs usually advised the CO that, to save expenditure and avoid subsequent delays, the surveyors should be allowed to stay in the colony and undertake the location survey of a possible extension of the line, the cost of which, as acknowledged by C.P. Lucas again partly committed the CO to construction.[2]

Secondly, until 1905, the CEs underestimated, or, according to the Agents, took 'an optimistic view' of the cost of lines, which encouraged construction, and, by reducing likely debt charges, improved the expected profitability of projects. After 1905, the replacement of the CEs' salary with a fixed fee, based on the estimated cost of works, discouraged underestimation, which effectively reduced the CEs' remuneration. Underestimation was achieved through the minimisation by the CEs of the potential difficulties of construction. In his 1895 Lagos-Otta report, for example, Shelford claimed that there was 'splendid ballasting material' in the Ogun river bed and at Otta.[3] In fact, material was found only at Abeokuta, approximately 70 miles further inland, and the Lagos-Otta line consequently remained unballasted, which greatly increased costs, until the railway finally reached the quarries in 1899.[4] Similarly, they undertook little research into the likely difficulties of construction; for example, failing, in the case of the Colombo drainage scheme, to obtain reliable earth shifting data from the CE who constructed the island railways.[5] Items were also often simply omitted from expenses. For instance, the estimate for the Accra harbour works failed to include accommodation costs; that for the Colombo drainage scheme, land expenditure and customs duties; that for the Singapore railway, pre-construction costs;

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[1] CO 96/449/30967, Lucas, 25 August, 1906. The surveys also increased CE income.

[2] *Ibid.* eg. CO 520/38/41943, CAs to CO, 13 Nov. 1906; CO 446/67/5423, CAs to CO, 12 Feb. 1907; CO 147/146/15785, CO to CAs, 10 Aug. 1899; CO 147/958/26276, CAs to CO, 29 July 1901.

[3] CO 147/101/3321, survey, 16 Jan. 1895.

[4] CO 147/138/23134, Shelford to CAs, 13 Dec. 1898.

[5] CO 54/704/713, note, 12 Jan. 1906.

and that for the Accra-Kpong line, expenditure on a harbour for the unloading of construction materials.[1] Estimates, additionally, often contained inadequate margins for contingencies; used approximated quantities, particularly for bridges and rolling stock; underestimated land prices, where these were determined by the CEs; took no account of the rise in labour costs that would result from the project's own demand for workers; and assumed an excessively low exchange rate.[2]

The Agents and CEs, thirdly both overestimated the likely returns from lines, which encouraged CO authorization, and strengthened their case for the construction of high standard railways. Although they also took account of administrative and political factors, on which the Agents were not allowed to comment, and the views of the constructing colonies and outside pressure groups, the CO, in deciding whether construction should go ahead, leaned heavily on CE/CA advice.[3] In 1907, when the MP H de R. Walker, in a Parliamentary question, suggested that the CEs 'advice in order to get work', J.F.N. Green accepted that the engineers 'in a very limited sense' influenced decisions to construct.[4] Sir Montague Ommanney went further, and admitted that 'consideration is, in the great majority of cases, whether the line will pay, about which the CEs have more to say than anybody else'.[5] Generally, the CO accepted the Agents/CEs' optimistic conclusions. Belonging to a culture that regarded state economic planning as unnecessary and even pernicious, they had few guidelines for judging the likely success of schemes. In addition, the idea of the use of transport for development purposes was relatively new, and the success of the policy in the

[1] *Ibid.*, note, 12 Jan. 1906; CO 96/461/20474, Coode to CAs, 8 June 1907; CO 273/304/40128, CAs to CO, 26 Nov. 1904; CO 96/347/21190, CAs to CO, 10 Aug. 1899.

[2] CO 273/276/39770, CAs to CO, 11 Nov. 1901; CO 67/136/28061, Elliott, 7 Aug. 1903; T1/100186/18832/16865, Treasury to CO, 31 Oct. 1903.

[3] In 1905, when they attempted to provide advise on the political and military aspects of the proposed Singapore water supply scheme, the Agents were severely reprimanded (CO 273/313/5951, Fiddes, 2 March 1905).

[4] *Hansard*, 4th series, 1906, clxvii. 658; CO 323/516/45203, Lucas, 8 Dec. 1906; CO 323/516/46914, Green, 21 Dec. 1906.

[5] *Ibid.*, CO to CAs, 3 Jan. 1907, margin note. In his answer, to Walker's question, Churchill stated that the Agents provided only technical information, and, after a project had been authorized, only provided advice 'if advice is necessary' on the construction of works (*Hansard*, 4th series, 1906, clxvii. 659).

USA and Canada had created the impression that the construction of railways automatically led to growth. However, even when they were less than convinced by the CEs' figures, wishing lines to be constructed, they were still highly receptive to recommendations that reinforced their preference. In the case of the Freetown-Songotown line, for instance, Chamberlain admitted that he was 'distrustful' of the traffic estimates produced by the CEs, as they had 'no solid basis to go upon and no one can half estimate with any accuracy the amount of freight to be carried', but, nevertheless, was prepared to sanction the line.[1] The CEs' recommendations also influenced the views expressed to the CO by colonies and Chambers of Commerce, who received copies of most of the reports, and, beneficiaries of construction, eagerly embraced their conclusions.

The advice provided by the Agents and CEs was usually excessively optimistic. The majority of the CEs' reports predicted that proposed lines would immediately cover both working and debt charges. Where this was not the case, it was usually forecast that increases in traffic would ensure that the loss was only temporary, and that, in the meantime, any shortfall would be offset by increased tax revenues on the trade fostered by the line, and that, in colonies without railways, valuable experience of construction in the region would be gained.[2] Occasionally, when it appeared that a railway they had disparaged would be built, the CEs improved their forecasts of profitability. After the completion of the Freetown-Songotown line, for example, they claimed that an extension to Rotifunk, which they had previously declared unremunerative, would be a financial success.[3] When a completed line failed to pay, the CEs, in their open line reports, continued to insist that their forecasts would be fulfilled, or used the failure to encourage further construction, warning that, unless another extension was built, the line would remain unremunerative.[4] Shelford, for

[1] CO 267/422/14724, Chamberlain, 3 Sept. 1895.

[2] eg. CO 96/449/30967, report, 9 Aug. 1906; CO 147/101/19160, CAs to CO, 31 Oct. 1895.

[3] Their previous report had, supposedly, been based on inaccurate import figures and a false assumption that the railway would not capture the river traffic of the area (CO 267/434/26730, CAs to CO, 11 Dec. 1897).

[4] eg. CO 267/474/5871, Shelford to CAs, 15 Feb. 1904; CO 267/474/41570, Shelford to CAs, 24 Nov. 1904.

instance, claimed that the Lagos-Otta line, which was not expected to cover debt charges, would be successful if an extension was built to Ibadan.[1] On completion of the Otta-Ibadan section, which covered neither its own nor the original section's costs, he advised that the two sections would be remunerative only if a further extension was built.[2] Likewise, in Sierra Leone, the CEs warned the CO that, unless the Freetown-Songotown line was extended, 'the money spent will be more or less thrown away', causing C. Harris to conclude that 'we have gone so far that we cannot stop'.[3] The CAs generally accepted the CEs' conclusions, generally raising doubts only when they believed them overly pessimistic. It was argued, for example, that the CEs, in their Lagos-Otta report, had underestimated traffic levels and the freight rate that could be borne by the region, and that, in their Tarkwa-Kumassi report, they had again assumed excessively low rates.[4]

The CEs arrived at their conclusions after determining the interest/SF charges and working expenses of the proposed line, and comparing the result with the likely immediate and future revenues. Debt charges were based on the estimated cost of the line, and working expenses on the operating costs of similar railways.[5] Revenues comprised import, export, passenger and government receipts. Although the methods adopted varied according to the information available, export estimates were generally calculated using the export figures of the nearest port, surveyors' road traffic counts, or the results of the multiplication of the average per square mile yield of the main crops grown by the number of square miles likely to be served by the railway, from which home consumption, the average population per square mile multiplied by the assumed annual per capita consumption, was subtracted.[6] Total exports were then

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[1] CO 147/101/19160, CAs to CO, 31 Oct. 1895.

[2] CO 147/158/26276, Ezechiel, 27 August 1901

[3] CO 267/449/33390, Read, 21 Dec. 1899; *ibid.*, Harris, 20 Jan. 1890.

[4] CO 96/347/21190, CAs to CO, 10 Aug. 1899; CO 147/101/19160, CAs to CO, 31 Oct. 1895.

[5] eg. CO 520/38/41943, report, 23 Oct. 1906.

[6] *Ibid.*; CO 267/449/33390, report, 15 Nov. 1899.

multiplied by the freight rate that the CEs believed the exports could bear, which was generally below that charged by competing forms of transport. Import estimates were based on import figures or the import traffic of a similar railway, which were again multiplied by a given freight rate, which was generally higher than that for exports as imports had greater value. Passenger revenues were calculated using population figures, surveyors' road traffic counts, and the passenger rates of similar lines. To calculate future receipts, the likely per acre crop of the product likely to be grown was multiplied by the acreage of the estimated cultivation area and a set freight rate, and added to an estimate of the natural increase in traffic, generally the recent traffic growth of a similar line.[1]

The CEs' estimates of profitability tended to be incorrect. Debt charges were based on underestimated construction costs, and working expense calculations used figures from dissimilar lines, and, in the case of extensions, often assumed that the line in the first instance would be worked at a reduced cost by existing open line staff.[2] As regards receipts, the Agents believed the statistics used to be 'vague and problematical', and even the CEs accepted that they were 'necessarily indefinite'.[3] All calculations were based on a single assumed freight rate, which took no account of the different goods to be carried. Surveyors' traffic counts were limited, extending over at most only one week, undertaken as a secondary activity, and taking no account of seasonal variations in movement.[4] The information obtained from African Chiefs and merchants, who regarded the surveyors as European interlopers and railways as a potential commercial threat, was often inaccurate or false.[5] While many figures were obtained from dubious sources; a forecast £30,000 saving in administrative and military costs from the construction of the Baro-Kano line, for instance, was based on

[1] eg. CO 446/47/12976, report, 28 Feb. 1905.

[2] eg. CO 96/449/30967, report, 9 Aug. 1906.

[3] CO 446/47/12976, CAs to CO, 19 April 1905; CO 96/512/34704, Shelford to CAs, 28 Sept. 1911.

[4] eg. CO 147/101/2665, Bradford to Shelford, 26 Dec. 1894; CO 147/101/3321, Bradford to Shelford, 16 Jan. 1895.

[5] CO 147/101/5136, Bradford to Shelford, 24 Jan. 1895; CO 96/472/39103, note, 29 Oct. 1908.

a letter from the N. Nigerian governor, in which he stated that such a saving 'may be conjectured'.[1] In addition, the CEs assumed that all existing and future traffic would be transported by rail, and dismissed factors such as the possibility of competitive price reductions by road, river and head load carriers; the low value given to time in African culture; and a preference for existing forms of transport.[2] In the case of the Lagos-Otta line, for example, the CEs assumed that the railway would win the whole of the river Ogun traffic.[3] In the event, the river carriers undercut the railway's freight rate, and the line failed to capture the trade, even when it introduced retaliatory rate cuts.[4] Likewise, in the case of future returns, projections were based on little evidence, and took no account of the possible unwillingness of indigenous farmers to grow new crops; the lack of roads that were necessary for motor transport; or the problems of perishability.[5]

The slow death of the departmental system began with the completion of the first West African lines, when it became clear that, owing to the high cost of construction and the failure of the CEs' traffic receipt forecasts, it was unlikely that debt charges would be covered by revenues.[6] Facing high taxes/traffic rates and concerned about the quality of lines and rumours of corruption, colonial merchants and governors bombarded the CO with complaints. The CEs blamed the lines' problems on the African environment; ordered their staff not to speak to the press; dismissed any

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[1] CO 446/47/12976, Antrobus, 2 Oct. 1905.

[2] CO 147/148/13099, MacGregor to Chamberlain, 30 March 1900; CO 267/434/26730, Mercer, 15 Dec. 1897.

[3] CO 147/101/19160, CAs to CO, 31 Oct. 1895.

[4] CO 146/148/13099, Macgregor to Chamberlain, 30 March 1900.

[5] The Royal Niger Co. regarded the CEs' Oshogbo to Jebba line traffic forecasts as 'purely speculative' (SP: mss Afr. s. 91, memo, 9 July 1906. See also *ibid.*, memo, 14 July 1906). Roads and motor transport were of particular importance in West Africa, as bullock transport was slow and expensive owing to the poor quality of the animals raised in the country, the heavy wagons used, and the reluctance of natives to adopt this form of transport (CAOG 18/630, p. 18). In S. Nigeria and parts of the Gold Coast, bullocks and other pack animals fell prey to the tsetse fly and were impracticable.

[6] None of the British West African lines covered their costs. Comparisons with other colonies are difficult, owing to differences in government freight rate policies. But, it would appear that a number of other lines performed poorly, although the Natal and Porto-Novo to Sakete were deemed a success (W.J. Busseham, 'Some Aspects of Railway Development in Natal', *S. African Journal of Economics*, 1 (1933), p. 419; *Newbury, The Western*, p. 145-6).

newspaper criticism as 'inspired by contractors'; deliberately misrepresented the size of original estimates; and tried, but failed, to persuade the CO to allow receipts from the working of partly completed lines to be used to reduce capital costs.[1] Taking a more positive approach, the Agency attempted to reduce the likelihood of high costs and slow construction: the CEs were reminded that estimates should include all expenditure, location surveys began to be undertaken before costs were estimated, Shelford's salary was replaced by a fee, and greater government intervention permitted in the construction process. The CO, particularly concerned at Parliamentary suggestions that 'successive Secretaries of State have connived at...(CEs')...abuses', attempted to find a replacement for the department system.[2] In 1903, they proposed that, in the case of sanitary works, the CEs be replaced by a special engineer based in West Africa and directly responsible to the Secretary of State.[3] The Agents, supported by Ommanney, vigorously opposed the suggestion, arguing that a sufficiently experienced engineer would be costly, difficult to recruit, have difficulty keeping abreast of technical developments in the UK, and be resented by the local PWD.[4] The proposal was consequently dropped. Experiments with other methods of construction - the use of contractor, private firm and PWD - however, did go ahead, with varying degrees of success.

5.2 Contractors

The Agents opposed construction by contract, largely because it incorporated the risk that the building materials required would be supplied by the successful contractor. Past experience had also taught them that the use of contractors could lead to poor quality work.[5] To avoid criticism, the Agents usually had to chose the lowest and

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[1] *PPP*; *WA*, 20 June 1903, p. 452; CO 96/412/39602, Shelford to CAs, 26 Oct. 1903; CO 96/423/3797, Daniel, 13 Feb. 1904; CO 147/152/4983, Ezechiel, 23 Feb. 1900.

[2] CO 323/516/45203, Lucas, 8 Dec. 1906.

[3] CO 96/412/43553, CAs to C.O, 2 Dec. 1903.

[4] *Ibid.*

[5] In 1882, the Agents were accused of professional incompetence when the contractor they employed to construct the Natal main and Northern Coast lines, built a series of bridges that were discovered to have structural faults. The colony had eventually to spend £50,000 on rebuilding and strengthening the bridges, and £19,000 on a deviation around a particularly dangerous viaduct (*Guest & Sellers, Enterprise*, p. 56).

therefore probably poorest quality tender, and, once a contract had been signed, could not allow the route or design to be altered for fear of subsequent heavy claims for extras, even if new information became available that improved alignment.[1] There was also the danger, in the case of lump sum contracts, under which contractors performed work for a set fee, that contractors would reduce standards in order to increase profits, and, if conditions proved worse than expected, minimise losses.[2]

In its advice to the CO, the Agency stressed that the use of contractors could lead to the construction of highly expensive and thus unremunerative works. It was pointed out that when contractors were used, colonies had to pay for preliminaries eg. the drawing up of the contract, the tender process etc, and lost the contractor's profit margin and that portion of the income earned from opening completed sections of unfinished lines to traffic that would be claimed by the contractor.[3] Colonies also had to employ a RE to monitor construction in the colony, and a CE, whose fees, though below those paid under the department system, were still high. Although the CEs had far less to do during construction, their workload at the start and end of projects was relatively heavy, owing to the need to prepare a specification and deal with contractors' demands for compensations and extras.[4] In addition, if a lump sum contract was adopted, when conditions proved more favourable than expected, colonies forfeited all or part of the contractor's contingency margin, which, in West Africa, given the lack of knowledge of local conditions, could be high.[5] Furthermore, although worse conditions than forecast would benefit the colony, there was always the possibility that they would lose any gains in subsequent claims by the contractor for compensation and extras, which often had to be settled through time consuming

[1] CAOG 10/96, memo, 7 March 1904.

[2] *Ibid.*

[3] *Ibid.*; *PP 1924*, viii (Cmd 2016), p. 9.

[4] CO 96/488/4266, CAs to Shelford, 8 Jan. 1909; CAOG 10/11, Coode to CAs, 9 March 1901; *ibid.*, CAs to CO, 15 March 1901.

[5] In the case of the Ceylon Northern extension, built in well surveyed country and put up to competition, but constructed by the departmental system, the lowest tender was 12% higher than the eventual completed cost (CO 54/696/45174, CAs to CO, 22 Dec. 1905).

and costly arbitration and litigation.[1] For example, Ceylon in 1885 had to pay the builders of the Nawalapitiya-Nanu Oya line £95,600 compensation; Jamaica, in the early 1880s, a total of £62,422 to the constructors of the Old Harbour-Porus and Ewarton branch lines; and, in 1883, the builders of the Natal Durban/Pietermaritzburg /Verulum lines put in a compensation claim of £228,000, which, after two years hard negotiation was eventually reduced to £17,461.[2] There was also the danger, particularly in West Africa, where the lack of knowledge of conditions made the setting and evaluation of tenders difficult, that the contractor would be forced into bankruptcy, leaving the colonial government to complete the line itself. Colonies could even fail to benefit from competition, as it was often difficult to attract firms of good standing to a project, owing to English contractors' reluctance to 'trespass on one another's reserves'; the small size of many of the contracts, especially if the CO insisted on government supply of materials; in West Africa, the hazardous nature of the country; and, according to the contractor Paulings, the Agents' insistence that all work should be priced, which increased the cost of tendering.[3]

The Agents, however, exaggerated many of the drawbacks of contractors and failed to highlight their advantages. As confirmed by the Treasury, compensation and extras claims were relatively rare, and numerous works had been satisfactorily constructed in the colonies by contractors without such demands.[4] The problem of contingency margins could be partly overcome through the use of schedule contracts, under which the rates for the various classes of work to be completed were set, and contractors were paid sums calculated at the agreed rates for the work actually performed. From the 1900s, the CAs themselves used these contracts, which ensured that the amounts lost, if conditions were less favourable than expected, were less than the sums lost

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[1] CAOG 10/96, memo, Jan. 1904.

[2] *PPP*, pp. 32-4, 35; CO 179/155/13461, CAs to CO, 7 Aug. 1884.

[3] CO 147/168/27225, Liverpool conference, p. 14; CO 766/1, evidence, p. 334.

[4] T1/9581/16676/9505, Herbert, 14 June 1900. The contractors of the Ceylon Colombo-Kandy and Peradeniya-Nowalpitiya lines were both paid bonuses by the colony (*PPP*, p. 34).

under a lump sum contract when conditions were unexpectedly good.[1] In addition, contractors had specialised plant, which they carried from project to project, rather than, as in the case of the CEs, used for just one scheme and then donated to the constructing colony; a great deal of experience of construction in particular areas; and highly experienced, good quality engineers, who were attracted by the permanent nature of the employment offered.[2] They also purchased cheaper though poorer quality materials than the CAs, ensured delivery by enforcing penalties, and, wishing to move onto the next job as soon as possible, offered staff bonuses for rapid construction.[3]

From the mid-1890s to 1906, contractors were used only for harbour projects, the construction of which required expensive plant.[4] Offers from contractors to construct railways were all rejected.[5] Even for harbours, however, work was generally only put out to contract when the CEs were unable to recommend a suitable RE to supervise department construction; local opinion strongly favoured the use of a contractor; or the project was financed by the Treasury, who usually pressured the CO to put schemes up to competition.[6] To ensure quality and prevent cost overruns and malfeasance, the Agents again adopted a policy of targeted recruitment, provided financial concessions, and closely monitored construction. In most cases, invitations to tender were sent only to reputable firms, who the CEs were confident could produce work of the requisite quality. For example, invitations for the Singapore

[1] Contingency margins could also have been avoided through the use of 'time and line' contracts, under which contractors received a set commission based on the estimated cost of works, which rose if savings were made and fell if costs were exceeded.

[2] *PP 1924*, viii (Cmd 2016), p. 9; CO 267/474/23391, report, 29 June 1904. Messrs Paulings, from 1883-1923, built 5,000 miles of African railway (CO 766/1, evidence, p. 335).

[3] CO 766/1, Howard to Committee, 25 Aug. 1923.

[4] *Ibid.*

[5] Paulings, for example, offered to construct the Sekondi-Kumassi line for £6,650 per mile (CO 879/67/652, Paulings to CO, 9 Jan. 1901).

[6] eg. CO 54/667/3252, CAs to CO, 30 Jan. 1900; CO 54/650/3933, CAs to CO, 19 Feb. 1898; CAOG 10/63, memo, 8 Dec. 1905; T1/100186/18832/16865, Treasury to CO, 31 Oct. 1903; T1/9581/16676/9505, Treasury to CO, 19 June 1900.

harbour improvements were sent to nine companies selected from the Admiralty list of contractors.[1] Colonial demands that local firms be allowed to tender were generally dismissed, on the grounds that such companies usually lacked sufficient construction experience and financial backing, and that the rejection of a local firm would lead to unpleasantness.[2] Exceptions were where the contract was so small as to be completely unattractive to British contractors or a large local firm existed.[3] The successful tender was chosen on the grounds of cost and appropriateness by the CE, who, at least in the case of railway construction in the 1870s and 1880s, showed a bias towards one firm, Messrs Reid & Mackay, and thus gained the advantages of a long-term business relationship.[4] The recommendation was passed to the CAs, CO and colony for approval, which always appears to have been given.

A number of financial incentive/bonding strategies were adopted. To ensure quality work, the Agents advanced contractors a proportion of the cost of plant, and, where a contract included the supply of construction materials, a certain percentage of the cost of all or particular materials. The builders of the Colombo harbour works, for example, obtained advances of up to 50% of the cost of materials/plant and/or 10% of the contract sum.[5] The practice also encouraged firms to tender for contracts, and thus ensured competition. In return, contractors and a third party were usually required to provide a security of between £5,000 and £8,000, which was returned only on satisfactory completion of the works.[6] The bonds increased the financial cost of opportunism/poor quality work; added a social/reputation cost, in that unsatisfactory

[1] CO 273/322/5743, Coode to CAs, 12 Feb. 1906.

[2] eg. CO 273/304/42851, CAs to CO, 19 Dec. 1904; *ibid.*, Cameron to Lucas, 19 Dec. 1904; CO 54/598/535, CO to Ceylon, 8 Jan. 1891.

[3] eg. *Ibid.*; CO 137/502/5146, CAs to CO, 23 March 1881. In the case of the 1881 Jamaican railway extension, the Agents additionally allowed USA companies to tender, the CO arranging for the British ambassador in Washington to make 'confidential enquiries' into the background of applicants (CO 137/502/5146, CAs to CO, 23 March 1881; *ibid.*, Meade, 24 March 1881). No USA applications were received.

[4] CO 137/502/18295, CAs to CO, 19 Oct. 1881.

[5] CAOG 19/109. See also CAOG 19/455, p. 16 and CAOG 19/283, p. 19.

[6] eg. CAOG 19/130; CAOG 19/172.

work would harm the third party; and, by discouraging dishonest contractors from tendering when open competition was adopted, reduced the adverse selection problem. In addition, usually 10% of each payment to the contractor was deducted and paid into an invested Guarantee Fund until the contents attained a specified amount, generally some proportion of the contract sum. The Fund was again only paid to the contractor on satisfactory completion, generally half immediately after construction and the remainder twelve months later.[1] Contracts also included fines for each day/week works remained unfinished after the completion date; occasionally, forced contractors to pay the inspection cost of all materials that failed the Agents' inspection process; and required the contractor to maintain the line for six months after completion, which discouraged poor construction.[2]

Monitoring was undertaken by CEs/REs. Demands by colonies for local PWDs to perform the role were resisted by the Agency. It was argued that such departments lacked the necessary construction experience, and that CE supervision ensured that the CEs could be held professionally responsible for their plans and designs, and that these were not misunderstood or altered by contractors.[3] The CEs followed the progress of works; inspected construction materials both during and after manufacture; approved suppliers of articles; ensured, where a particular manufacturer was specified, that this company was used; and checked the prices of articles purchased with the invoices supplied by the contractors.[4] In the colony, a RE monitored the completion and quality of work; ensured that local materials were obtained from the areas specified in the contract; and inspected articles, such as cement, on arrival and before use.[5] Any infringement of the contract was dealt with by the CEs, who, as well as monitoring the work, also acted as arbitrator, a dual role that made contractor victories

[1] eg. *Ibid.*, p. 26; CAOG 19/655, p. 13; CAOG 19/106.

[2] eg. CAOG 19/455, pp. 44, 45.

[3] CO 137/502/5146, CAs to CO, 23 March 1881.

[4] eg. CAOG 19/172, p. 25; CAOG 19/106; CAOG 19/455, pp. 37, 39, 44-6.

[5] eg. *Ibid.*, pp. 39, 40, 44; CAOG 19/435, p. 31.

over the colony unlikely, but perhaps deterred many firms from tendering.[1]

The CO embargo on the use of contractors for railway construction lasted until 1906, when, disillusioned with the departmental system, wishing to discover the capabilities of contractors, and under pressure from the colony, the CO required the Agency to put the Gold Coast Accra-Akwapim line up to competition.[2] The Agents, feeling their livelihood threatened, appear to have deliberately set out to sabotage the experiment. The contract was inadequately advertised, with the result that only five applications were received.[3] The three highest tenders, all from reputable firms with tropical experience, were rejected as too expensive, and the lowest tender was considered unrealistic.[4] The contest was won by a Mr Murphy, whose tender was 19% below the CEs' estimate of construction.[5] An Irish tramway promoter, Murphy had no experience of overseas railway construction and no large-scale UK experience.[6] Moreover, his design had been created by the RE of the Lagos extension, who, when Murphy, after obtaining the contract, reneged on an agreement to make him a partner, left the project.[7] Not surprisingly, the constructed line was expensive, finished late and was poorly built, lacking sufficient bridges, ballast and earthworks.[8] Murphy had also opened sections of the unfinished line to traffic and had 'pocketed the receipts', and his agents had tampered with the 'fidelity' of local officials.[9] The experiment was regarded by the CO as a failure, and not repeated.[10]

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[1] CO 96/524/14964, Round, 21 May 1912.

[2] CO 147/165/13757, Chamberlain, 16 June 1903.

[3] *Tsey, Gold Coast Railways*, p. 60; CO 96/474/35026, Shelford to CAs, 23 Sept. 1908.

[4] *Ibid.*

[5] The other tenders were respectively 7%, 16% and 21% higher and 60% lower than the estimate (*ibid.*).

[6] *Ibid.*, *Times*, 24 April 1910;

[7] *Ibid.*, 28 April 1910; *ibid.*, 30 April 1910.

[8] CO 96/512/14867, note, no date; CO 96/512/41542, Fiddes, 22 Jan. 1911.

[9] *Ibid.*

[10] *Ibid.*

5.3 Private Construction

Not unnaturally, given that it directly reduced their income, the Agents also strongly opposed private construction. It was argued that few companies would be attracted to the Crown colonies, particularly West Africa, owing to the relatively high cost of construction, the lack of economic activity and promise of an immediate return, and the difficulties in forecasting future traffic levels.[1] They could also have added, as a further factor, their own negative attitude towards private schemes, which made it unlikely that proposals, which were costly and time consuming to produce, would be accepted.[2] To attract companies, the colonies would therefore have to provide incentives in the form of capital/interest guarantees, which allowed firms to issue stock at par rather than at a discount, and/or land/mineral concessions. In the case of the 1888 Jamaica railway extensions, for example, the colony paid for the track, which cost approximately £100,000, and gave the constructing firm one square mile of Crown land for every mile of railway built.[3] Such incentives, however, could prove costly if the company went bankrupt or the concessions were more lucrative than expected, and land concessions, by interfering with native rights, could lead to unrest. If the firm did go into liquidation, there was also the danger that the colony could be forced by local opinion to take over the project on exorbitant terms.[4] For instance, Jamaica, which sold its railways for £800,000 in 1888, had, in 1900, when the purchasing company ran into difficulties, to buy them back at a cost of £1.5m plus £87,363 of unpaid interest.[5] In addition, the routes of such lines tended to serve the interests of the promoter rather than the colony, and private extensions to government lines led to running power and rolling stock difficulties, and, if a different gauge was adopted, discouraged intra-colony trade. The companies involved also lacked

[1] CAOG 10/96, memo, 7 March 1904.

[2] CO 766/1, evidence, pp. 55, 105.

[3] *PP 1913*, lviii (287), p. 28.

[4] CAOG 10/96, memo, 7 March 1904.

[5] *PPP*, p. 35. In 1900, the Demerara Railway Company also almost had to abandon construction, owing to lack of funds, but was saved by extra concessions from the government (CO 884/6, No. 102).

construction experience and built poor quality works, and unable to borrow money as cheaply as colonial governments, tended to set competitive traffic rates. Furthermore, the colonies received none of the profits from the operation of lines, though they could be forced, again by public opinion, to provide uneconomic lines with subsidies, as occurred, for example, with the Barbados railway.[1]

The Agents invariably advised against proposals for private works.[2] In 1896, however, the FO insisted that a railway from Blantyre to Port Herald in Nyasaland be built privately. The Agents again attempted to sabotage the initiative. The FO was urged to allow the protectorate to build the line itself, and the decision to grant the Shire Highlands Railway Co., the firm permitted to construct the railway, 3,200 acres of land strongly opposed.[3] In an attempt to encourage the company to abandon the scheme, the Agents delayed the negotiations of the contract, insisted that construction be supervised by the CEs and a RE, whose salary was to be paid by the firm, and that a standard of construction be adopted that was far higher than that thought necessary by the company's own eminent CEs.[4] After construction had commenced, the Agents and CEs sent the CO a barrage of complaints that enumerated the company's failure to meet standards, its disregard of original drawings, its supposedly unstable financial standing, its use of the uncompleted line for traffic, and its alleged dishonesty as to the causes of delay and the permanent nature of works.[5]

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[1] CO 879/67/652, Shelford to CAs, 26 July 1901; CO 96/400/32395, Shelford to CAs, 30 July 1902; CO 96/365/4865, Ommanney, 11 June 1900; *PP 1907*, lvi (103), p. 6.

[2] The Agency opposed the construction of three Gold Coast railways, a Trinidad floating dock, and even a Gold Coast road (CO 96/365/4865, CAs to CO, 13 Feb. 1900; CO 96/400/32395, CAs to CO, 5 Aug. 1902; CO 96/412/8537, CAs to CO, 4 March 1903; CO 295/435/451, CAs to CO, 6 Jan. 1905; CO 96/326/18875, CAs to CO, 20 Aug. 1898).

[3] FO 2/689, CAs to FO, 15 Dec. 1896; FO 2/693, CAs to FO, 14 July 1902; *ibid.*, CAs to FO, 27 June 1902.

[4] *Ibid.*; *ibid.*, CAs to FO, 7 Aug. 1902. The company believed the appointment of a RE, which was not insisted upon when railways were constructed privately in India, to be 'an entire waste of money' (*PPE*, q. 3541).

[5] CO 525/10/9841, Shelford to CAs, 20 March 1905; CO 525/10/3340, Harris, 22 Feb. 1905; CO 525/10/38001, CAs to CO, 25 Oct. 1905; *ibid.*, CO to CAs, 16 March 1905; CO 525/10/3559, Harris, 23 Feb. 1905; CO 525/10/7607, CAs to CO, 9 March 1905. Use of the completed line was actually permitted by the contract.

When the firm made an application to build an extension, the Agents, whose 'plain hostility' and 'distinct prejudice' was now obvious even to the CO, raised numerous objections.[1] In particular, they insisted that a clause in the new contract, which required the company to construct the line to the satisfaction of the RE, should specifically require his approval of the formation level.[2] Sir J.D. Rees, the Chairman of the British Central Africa Co., which owned the Shire Highlands Railway Co., believed the addition unnecessary and an attempt 'to thwart them'.[3] The CO agreed, the Assistant Under Secretary H.W. Just regarding the Agents' conduct to be in 'thorough disrepute'.[4] The Secretary of State, the Earl of Elgin, consequently, wrote a conciliatory letter to Rees, and, his patience 'nearly exhausted', informed the Agency that he 'must insist on there being no more difficulties manufactured'.[5] The Agents' response was to ask the Shire Highlands Railway Co. whether it accepted Rees' agreement that the clause covered the formation level; behaviour that C. Harris found 'incredulous' and 'improper'.[6] To Sir Bradford Leslie, the company's CE, however, the Agents' motives were clear - they disliked private construction, and held an 'ambition that no independent people should be allowed to construct railways in a Crown colony'.[7]

5.4 Colonial Construction

Until 1906, construction by PWDs, with no CE supervision, had occurred only in the FMS, in Jamaica in 1901, and in Natal in 1883. The FMS had a long tradition of local construction, and an attempt to force the colony to adopt the department system for the Johore line ended in failure, when the RE, a local PWD official, adopted an 'attitude of passive resistance', and failed to provide the CEs with information or take

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[1] CO 525/15/20168, Crewe, 11 June 1906; CO 525/20/16718, Just, 20 May 1907.

[2] ie. the height of the track. CO 525/20/42640, CAs to CO, 6 Dec. 1907.

[3] *Ibid.*, Harris, 12 Dec. 1907.

[4] *Ibid.*, Just, 13 Dec. 1907.

[5] *Ibid.*, Elgin, no date; *ibid.*, Elgin to Rees, 15 Dec. 1907; *ibid.*, CO to CAs, 17 Dec. 1907.

[6] CO 525/20/45056, Harris, 31 Dec. 1907.

[7] *PPR*, q. 3500.

advice.[1] As a compromise, the CO permitted the colony to build works itself, but required all particulars to be sent to the Secretary of State, who could then, if necessary, obtain technical advice from a CE.[2] The colony agreed, but subsequently failed to provide the necessary information.[3] In Jamaica, a catalogue of mistakes by the CE in charge of railway improvements, led the CO to allow the colony to dismiss him and place the work in the hands of the railway manager.[4] In Natal, the Harbour Board simply ignored all CO instructions and undertook works itself.[5] Elsewhere, numerous colonies campaigned for local construction.[6] It was variously argued that local staff had valuable local knowledge, and, identifying with the colony and likely to maintain the completed works, had a greater commitment to low cost, quality construction than CEs/REs. Also, taking works out of the hands of local engineers reduced morale, and prevented them gaining the experience required for colonial construction.[7] The Agents, however, rejected all the requests, claiming that local staff lacked the necessary building experience/expertise and that the completed projects would therefore be expensive and poorly constructed; that local construction would make it difficult to attribute responsibility for unsatisfactory works, particularly given the high turnover of PWD staff; and that eminent CEs would be reluctant to advice such departments, as they would thereby be nominally placed under the control of engineers inferior to themselves in both knowledge/experience and status.[8] The Agency was even reluctant to allow the Jamaica PWD to undertake improvements to the Jamaica railways, or colonies to complete surveys without CE supervision.[9] When,

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[1] CO 273/342/28535, CAs to CO, 4 Aug. 1908; *ibid.*, Stubbs, 8 Sept. 1908.

[2] *Ibid.*, CO to FMS, 2 Oct. 1908.

[3] CO 273/364/16663, CO to Anderson, 17 June 1910.

[4] CO 137/631/7724, CO to Jamaica, 25 April 1902.

[5] CO 179/149/2873, CO to Natal, 22 Feb. 1883.

[6] eg. CO 137/502/14519, CAs to CO, 13 Aug. 1881; CO 54/580/21676, CAs to CO, 1 Nov. 1888; CO 273/253/10293, CAs to CO, 24 April 1899.

[7] *Ibid.*; CO 279/249/33676, Straits to CO, 9 Nov. 1899; CO 96/427/5543, Col. Sec. to CO, 28 Jan. 1905.

[8] CO 273/276/22964, CAs to CO, 2 July 1901; CO 137/623/44147, Lucas, 3 Jan. 1901.

[9] CO 137/623/3351, note, no date.

for example, in the late 1890s, Ceylon abandoned CE supervision of surveys, the Agents campaigned successfully for their re-instatement, warning that inadequate surveys would lead to higher costs and delay.[1]

The first railway to be built locally was the 22 mile 2' 6" Zungeru line constructed by the N. Nigerian governor Sir Frederick Lugard in 1901. Having obtained CO permission to move the colony's capital to Zungeru, Lugard had then informed the Secretary of State that he would require the line to transport supplies from the highest point of the Kaduna river to the new capital. The CO thus had little alternative but to authorize the project, and, given the urgency of its need and the hostile nature of the area, to allow colonial construction. The railway was built in six months, and, lacking ballast and with few earthworks and stations, cost only £1,389 per mile.[2] The Agents and the CEs saw the railway as a threat. The line and river transport would attract much of the export traffic of the region, reducing the need for a northward extension of the Lagos line, and any further railways constructed by Lugard would probably be built locally. Such a situation could be avoided through the rapid construction of a bridge over the Niger, which would allow the Lagos line to continue northward. Lugard was unenthusiastic, but, if a bridge had to be built, favoured a site close to the colony's new capital, which would allow his line to be extended southwards. The Agents preferred Jebba, 75 miles from Zungeru, and, to ensure that this was chosen, instructed the surveyor to only examine locations that did not have rock river beds, which effectively ruled out the Zungeru region. Asked to explain their action, after Lugard complained to the CO, the Agents admitted that they had attempted to 'destroy' Lugard's line, though claimed that their motive was concern about the railway's narrow gauge rather than their own self-interest.[3]

[1] CO 54/650/10809, Lucas, 18 May 1898; *ibid.*, CO to Ceylon, 27 May 1898; CO 54/650/10594, CAs to CO, 11 May 1909. In 1908, the Agents also denied Lagos the right to undertake a survey for its water supply scheme (CO 520/70/38072, CAs to CO, 17 Oct. 1908).

[2] CO 446/22/10583, Lugard to Chamberlain, 17 Feb. 1902.

[3] CO 879/76/695, No. 13, Lugard to Chamberlain, 14 April 1902; CO 147/163/47616, CAs to CO, 15 Nov. 1902.

Lugard's reaction was to propose a further locally constructed line from Baro to Kano.[1] Lack of funds forced the project to be abandoned until 1906, when Winston Churchill, an arch opponent of the Agents and the department system, became Colonial Parliamentary Under Secretary of State, and proposed that the line should go ahead in order to allow local and department construction to be compared.[2] The Agents and their supporters disparaged the line; Ommanney calling it a 'sheer waste of money'.[3] The CEs, at first, proposed a standard 3' 6" line, which they estimated at £5,679 per mile, but then submitted a counter proposal for a 20" railway, which they claimed could be built more cheaply than Lugard's 2' 6" line.[4] The Agents and their CEs efforts, however, were to no avail. On the appointment of Sir P. Girouard, as Nigerian High Commissioner, the gauge of the proposed line was upgraded to 3' 6", the colony's estimate of construction increased to £3,000 per mile, and the experiment allowed to go ahead. In the event, the line, constructed by the PWD assisted by 33 officers of the Royal Engineers and 51 engineers and support staff from S. Africa, was built for £3,915 per mile in a relatively short time, as compared to other West African railways, and to a standard that was praised by the CO appointed inspection engineer.[5] The success of the experiment led the CO to require all future Crown colony railways to be built locally, and, at least in West Africa, to a far lower standard.[6]

5.5 Open Line Supervision

In addition to the organisation of construction, the CEs supervised the operation of railways, and helped to recruit Crown colony technical staff.[7] In West Africa, the CEs

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[1] CO 446/30/15375, Lugard to Chamberlain, 25 Feb. 1903.

[2] CO 446/58/26478, Churchill to CO, 14 July 1906.

[3] *Ibid.*, Ommanney, no date; CO 446/47/12976, CAs to CO, 19 Nov. 1905.

[4] CO 446/47/12976, report, 28 Feb. 1905; CO 879/93/845, CAs to C.O, 14 Sept. 1906.

[5] *PP 1912/3*, lviii (Cd 6007), p. 39; CO 446/107/10210, report, 19 Feb. 1912.

[6] By 1914, CEs were employed only for electrical schemes, harbour works, and water and drainage projects (CO 323/902/38790, Herbert to Fiddean, 4 Sept. 1923).

[7] The recruitment of technical staff is discussed in Chapter six.

played a major role in the operation of open line departments. They provided advice on staffing and management structure, freight and passenger rates, rolling stock purchases and the maintenance of track and equipment; monitored the activities of departments; selected staff; and designed rolling stock and recommended the successful tenderer.[1] In the more developed colonies, they adopted a less 'hands on' approach, and merely provided advice on request, recruited railway officers, and organised the purchase of rolling stock. Their supervision supposedly ensured that railways were worked efficiently and economically, and reduced the CO's workload.[2] In return, W. African CEs received an annual salary plus expenses, which was progressively reduced as the open lines departments became organised, and CEs in other colonies obtained individual fees for each piece of work completed.[3]

The CEs' open line role was again the subject of criticism. It was firstly argued that their fees and salaries were 'out of all proportion' to the work completed; a claim that appears to be supported by a 1928 comparison of CE/CA operation fees (Table 7).[4] Secondly, in order to maximise their incomes, they again tended to be extravagant in their rolling stock and staff recommendations, and to discourage initiatives that could

Table 7: CEs and CA Open Line Fees[5]

	West Africa		**Ceylon**	
	Shelford (1908-12)	**CAs (1920-6)**	**Messrs Gregory Eyles & Waring (1908-19)**	**CAs (1920-6)**
Average annual mileage	1,300	1,727	946	1,747
Average annual remuneration (£)	7,809	3,389	4,869	3,172

[1] CO 96/366/33577, CAs to CO, 13 Oct. 1900; CO 96/412/16348, CAs to CO, 5 May 1903.

[2] CO 96/461/9405, Butler, 22 March 1907.

[3] CO 96/449/22251, CAs to CO, 20 June 1906.

[4] CO 96/449/44061, Olivier, 8 Nov. 1906.

[5] CAOG 16/8, memo, 6 Feb. 1928; *PP 1907*, lvi (103).

negatively affect their remuneration. In 1901, the CO had to remind Shelford that expenditure that was not strictly necessary should be avoided.[1] While, in 1907, both Shelford and the Agents strongly opposed a proposal that merchants should be allowed to use their own wagons on the Lagos line, arguing that this would lead to heavy compensation demands for damage and demurrage.[2] In addition, to ensure that railways had sufficient funds to pay for the goods and services recommended, the CEs supported the setting of relatively high traffic rates, which slowed development. For instance, Shelford, in 1902 and 1904, urged that Lagos rates be raised to an 'economic level', and, in 1903, rejected demands that Gold Coast rates should be reduced.[3]

The CEs' monitoring of open lines was also poor. They themselves accepted that it was not always possible for them 'to judge as to the necessity of proposed expenditure'.[4] Their knowledge of the operation of lines was based on correspondence with general managers, who could easily omit information, and open line annual reports, which, by the time they reached the UK were often up to a year out of date.[5] Moreover, to ensure colonial acceptance of their recommendations, they also advised against colonial government interference in/monitoring of the management of lines, 'the control of which', if they were to be 'commercially successful', should 'as far as possible be placed in the hands of the general manager', who, selected by the CEs, would be unlikely to oppose their advise.[6] As a result, many early operation departments were inefficient and corruption not unknown. The Gold Coast open lines

[1] CO 147/158/22311, CAs to CO, 28 June 1901. Occasionally, the CEs profligacy became so outrageous that CO staff were roused to anger. In 1901, for instance, the Clerk G.E.A. Grindle, on receiving a recommendation for the employment of another person for the already overstaffed Lagos line, exclaimed 'this is too bad. Having screwed a general manager out of us, they try to screw an assistant by return of post' (CO 267/449/1979, Grindle, 25 Jan. 1899).

[2] CO 520/52/32579, CAs to CO, 11 Sept. 1907. It would also have reduced CE and CA purchasing income.

[3] CO 147/163/17564, CAs to CO, 3 May 1902; CO 147/172/5748, Shelford to CAs, 12 Feb. 1904; CO 96/412/34414, CAs to CO, 14 Sept. 1903.

[4] CO 147/163/17509, Ezechiel, 6 May 1902. A similar view is expressed in NP: mss Nathan 313, Shelford to Nathan, 19 Nov. 1903.

[5] CO 96/461/42349, Fiddian, 11 Dec. 1907.

[6] CO 96/400/10216, CAs to CO, 12 March 1902.

department, for example, was so ineffective that, in 1906, the colony was forced to dismiss all section heads with the exception of the Chief Accountant, and, in Sierra Leone, the CO sanctioned the appointment of a special officer to 'deal with the question of safeguarding railway revenue from fraud or neglect'.[1]

Disturbed by colonial criticism, the Agents first attempted to take over the CEs' open line duties in 1904, but were repulsed by the CO, who were unconvinced that they could perform the tasks involved satisfactorily.[2] In 1911, under colonial pressure, the Agents replaced Shelford's open line salary with special fees for each piece of work completed, and, in the case of orders, a commission of 1%. They also began to undertake some of the tasks themselves, overcoming further resistance from the CO, who believed the duties to be 'rather foreign to the idea of an agent'.[3] To perform the work, the Agency employed a locomotive draughtsman and assistant, expanded their engineering inspection department, and introduced a sliding scale of fees, which ranged from 1/2% to 1%.[4] Their completion of the tasks was so successful that, by 1914, they had taken over the majority of the CE's workload.[5]

5.6 Conclusion

In conclusion, from the mid-1890s, the evidence suggests that the CAs were motivated in their choice of construction method primarily by self-interest. The quality risks of construction by PWDs were unacceptably high. For the Agents, however, the use of the market ie. contractors and private firms carried a lesser, but equally prohibitive quality risk; a danger of moral hazard; and a high probability that they would be unable to maximise their income. Unable to take on projects themselves, owing to their lack of experience/expertise, they consequently used CEs, who, dependent on

[1] CO 96/443/24376, Gold Coast to CO, 16 June 1906; CO 267/490/40090, CAs to CO, 30 Oct. 1906.

[2] CO 96/461/9405, CAs to CO, 14 March 1907; *ibid.*, Butler, 22 March 1907.

[3] CO 323/577/20214, note, 26 July 1911; CO 446/101/9653, CAs to CO, 23 March 1911.

[4] CO 323/577/16284, CAs to CO, 17 May 1911; CO 323/577/20214, CAs to CO, 19 June 1911.

[5] Messrs Gregory, Eyles & Waring's open line work for Ceylon, Trinidad and the FMS was taken over in 1919, and Messrs Hawkshaw & Dobson's work for Mauritius in 1923 (CO 323/902/1521, CAs to CO, 8 Jan. 1923).

them for a large part of their livelihoods and with similar self-interests, could be relied upon to ensure the fulfilment of the Agency's own interests. In West Africa, the adoption of the department system was disastrous. Benefitting from the construction of lines, the Agents and CEs encouraged CO authorization of works through the underestimation of costs and overestimation of receipts. Similarly, gaining from high expenditure, wishing to avoid criticism, and confident that costs would be covered by revenue, the Agents ensured quality through high costs, and did little to prevent the CEs/REs, who again benefited from expensive projects, also increasing expenditure. Unfortunately for the Agents, costs spiralled to such an extent that they could not possibly be covered by receipts, which were far lower than expected. At the same time, the CEs' low risk aversion towards quality and the paucity of the monitoring procedure led to the construction of poor quality works and some fraudulent behaviour.

The resultant railways were thus expensive, poorly built, and unprofitable. Although the lines opened areas up to trade, facilitated and reduced the cost of colonial administration and helped to train an African labour force, their losses acted as a constraint on constructing colonies' activities in other economic sectors eg. health and education. They also discouraged colonial governments from undertaking, and the City from financing, subsequent infrastructure projects; led to relatively high indirect/direct taxes and railway rates; through their slow construction and high labour demands, damaged colonial export sectors; and via the political pressure for successful lines encouraged government stimulation of the growth of export crops that were not in the long-term interests of colonies.[1] Elsewhere, as acknowledged by the CO, the department system worked better.[2] Greater colonial participation in the construction process ensured more accurate estimates, particularly of receipts, superior designs, and prevented the worse excesses of Agent and CE overexpenditure. Works, however, were still occasionally expensive and poorly constructed.

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[1] S.H. Frankel, *Capital Investment in Africa* (Oxford, 1938), p. 388.

[2] CO 446/8/30397, Strachey, 29 Nov. 1899.

Chapter Six: Personnel Role and Miscellaneous Duties

6.1 Personnel Role

The Agency's personnel role comprised the recruitment of colonial technical officers, the payment of colonial service pensions and some salaries, and the arrangement of the transport of colonial officers, troops, and Indian indentured labour. Until 1902, all full time technical and specialist appointments that were not to be filled by promotion were sent to the CO for approval, and then passed to the CAs.[1] Thereafter, in order to reduce delay, only vacancies with salaries in excess of £250 pa or that were additional to the authorised establishment first went to the Secretary of State. In theory, candidates were selected by the CAs. In reality, when technical qualifications or experience were required, the vacancy was passed to the CE who worked in the recruiting colony and specialised in the technical area of the appointment, and was thus aware of the technical/personal qualities required by candidates, and could minimise adverse selection.[2] The Agents dealt only with those vacancies, 26% of the total in 1908-10, that required little technical expertise or specialist skills not possessed by their engineering consultants (Table 1). On receiving a vacancy, the engineer referred to the register each maintained of the men wishing to work in the colonies, and, if there were few suitable candidates, would make personal enquiries.[3] If still unsuccessful, either they or the Agents would advertise the post.[4] The CEs generally preferred qualified men, who had some practical experience and were under 35 years of age, older men being 'not...so well suited to colonial life'.[5] The candidates were then interviewed by the CEs, who sent a report with their recommendation to the Agents, who, after adding their own comments, passed this to the CO. The Agents and CO invariably accepted the CEs' recommendations, even though they had seen neither the candidate nor the letter of application or references.

[1] CO 554/7/32031, Fiddes, 21 Oct. 1912; CAOG 13/310, circular, 14 April 1902.

[2] CAOG 17/25, memo, 27 May 1910.

[3] CO 323/648/1521, CAs to CO, 13 Jan. 1913.

[4] eg. CO 129/350/23550, CAs to CO, 29 June 1908; CO 96/386/35306, Pownall to CAs, 7 Oct. 1901.

[5] CO 323/631/33386, CAs to CO, 2 Sept. 1914.

Table 1: Technical Recruitment 1908-10[1]

	West Africa	Other Colonies
Number of candidates employed by the CAs	64 (21%)	46 (38%)
Number of candidates employed by the CEs for a fee	54 (18%)	26 (21%)
Number of candidates employed by the CEs for a salary	187 (61%)	50 (41%)
Total	305	122

The Agency's own recruitment process was similar to that of the CEs, except that, in the case of specialist vacancies, they sought advice and recommendations from experts in the field.[2]

The service provided was much criticised. It was firstly regarded as overly expensive. Although the Agents received no remuneration, the CEs obtained a fee of five guineas for each man selected, and half of this for each candidate recommended by them who withdrew or was rejected for medical or other reasons beyond their control.[3] As a 'large proportion of the men at first selected...(fell)...through in this manner', the CEs average per candidate total fee was far higher than five guineas.[4] In 1909, for example, Messrs Middleton, Hunter & Duff were paid £21 for the recruitment of just two officers.[5] Although the CEs' costs are not known, it seems likely that their profits for the service were indeed high. When the Agents took over the work of two of the CEs in 1911, they charged a fee of only two guineas per appointment filled, which covered the cost of their new plus their old work and of finding replacements for those who failed to take up appointments, though this was raised to four guineas in

[1] CAOG 17/25, memo, 16 Feb. 1911.

[2] The Office, for example, obtained recommendations for technical school teachers from the City and Guilds of London Institute and for mining inspectors from the Royal College of Science (GL: ms 21899, CAs to Institute, 14 Aug. 1897; CO 273/285/12219, note, 1 March 1902).

[3] CAOG 17/25, memo, 20 Oct. 1910; *ibid.*, memo, 20 Feb. 1914. Remuneration for the selection of railway operation staff was included in the CE's open line salary at a similar rate.

[4] *Ibid.*

[5] CO 96/488/3152, Fiddian, 16 Feb. 1909.

1914.[1]

Secondly, the recruitment process was slow and the men employed often unsuitable. Many candidates were subsequently found to lack the qualifications or experience that they claimed to possess,[2] or were incompetent.[3] Others were alcoholics; 19% of the men employed by the West African colonies in 1898/9, for example, were subsequently dismissed for drunkenness.[4] The Agents and CEs blamed delays in recruitment on the high medical failure rate and the tendency of men to withdraw from appointments at the last moment, and the poor quality of candidates on the general shortage of skilled technicians, due to the worldwide expansion of infrastructure construction.[5] They also believed that the colonies expected far too much from new appointees, who were unused to the different nature and isolation of colonial work and often sought solace in drink.[6] In addition, recruitment was made difficult by the demands of colonies. Many colonial governments would employ only unmarried men,[7] or non-trade unionists.[8] Uganda preferred district officers who were 'of the public school type', and could work in harmony with district and medical officers in outstations.[9] Others asked for highly qualified candidates, and, occasionally, demanded combinations of skills that it would be 'difficult if not impossible' to find in one person.[10] In 1901, for instance, Ceylon asked the Agents to fill the newly created post of electrical/gas adviser and chemical analyst.[11]

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[1] CAOG 17/25, CAs to CO, 18 March 1911; *ibid.*, memo, 20 Feb. 1914.

[2] eg. CO 129/330/36062, CAs to CO, 9 Oct. 1905; CO 96/366/34783, CAs to CO, 24 Oct. 1900.

[3] eg. CO 273/285/38747, CAs to CO, 16 Sept. 1902; CO 96/524/17570, CAs to CO, 7 June 1912.

[4] CO 96/347/32341, CAs to CO, 21 Nov. 1899.

[5] CO 54/672/28956, CAs to CO, 17 Aug. 1901.

[6] CO 267/460/38251, Shelford to CAs, 25 Oct. 1901; CO 323/463/18750, CAs to CO, 30 May 1901; CO 96/347/32341, Cameron, 9 April 1900.

[7] eg. CO 273/285/50537, Gregory to CAs, 2 Dec. 1902; CO 129/308/37041, CAs to CO, 27 Oct. 1901.

[8] eg. CO 54/704/33012, note, 31 June 1909.

[9] CO 536/51/29310, Uganda to CO, 17 Aug. 1912.

[10] CO 54/685/13969, CAs to CO, 16 April 1903; CO 54/672/40865, CAs to C.O, 20 Nov. 1901.

[11] *Ibid.*

A further factor was the reluctance of technicians to work in the Crown colonies, because of the relatively low salaries offered, which failed to offset the various costs of colonial employment. Jamaica, in 1907, for example offered a salary for a railway inspector that was the same as that paid in the UK.[1] The costs of colonial employment were high. Candidates for first class appointments had to meet the expense of travelling to the interview and the subsequent medical examination.[2] If appointed, they were advised to purchase special clothing and equipment. Although they were given an advance of their salary for the purpose, the cost, £24/8/- in the case of West Africa in 1895, caused many to be 'taken aback'.[3] Until 1897, to ensure satisfactory work, the cost of passage was also deducted from salaries and only returned on the first home leave.[4] From that year, deductions were retained until the termination of the engagement, though the practice was abandoned for those who had served in the colony for three years. Officers who were dismissed lost this money, and had to find their own return passage to the UK.[5] Similarly, few colonies provided candidates with full pay on the voyage out.[6] Instead, officers were given an advance, which was again deducted from salary. Given the outfit and passage deductions, and the tendency for married men to pass salary advances to their families and single men to squander them on the journey to the colony, such deductions meant that many officers, on arrival, lived in penury.[7] In an attempt to ease the problem, the CO in 1905, on the advice of the Agents, extended the advance repayment period from four to six months, and converted the outfit advance to an allowance.[8] Men, however, continued to find their first six months of service difficult.

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[1] CO 137/623/15932, CAs to CO, 7 May 1901. See also CO 267/460/8430, CAs to CO, 5 March 1901; CO 96/412/12074, CAs to CO, 30 March 1903; CO 273/276/37219, CAs to CO, 24 Oct. 1901.

[2] CAA: weeded files, m/sa 1055/1.

[3] CAOG 13/323, CO to CAs, 9 Feb. 1895; *ibid.*, memo, 17 Jan. 1905.

[4] CO 96/301/2773, CAs to CO, 3 Feb. 1897, *ibid.*, Meade, 10 Feb. 1897.

[5] *Ibid.*

[6] CAA: weeded files, m/sa 908/1.

[7] CO 554/2/5664, Ellis, 1 March 1911.

[8] CO 96/448/14310, CO to CAs, 11 May 1906.

Colonial employment had other drawbacks. To prevent officers obtaining more lucrative employment on arrival in West African colonies, new recruits could only resign after three months, and then had to give three months notice or pay the colonial government one months salary, lost their outward passage money, and had to pay for their own return passage. Furthermore, to encourage satisfactory work, appointments were initially for only one tour of duty, in West Africa two tours. Candidates only obtained permanent pensionable positions if they performed their duties well.[1] Many governments additionally refused to allow wives to accompany appointed officers, as they were reluctant to pay the cost of the extra passage, and believed that women hampered movement and were more prone to illness, which distracted men from their work.[2] Staff therefore had to maintain two households, and often had difficulty fending for themselves when they arrived in the colony, a problem partly solved in S. Nigeria in 1911 by the establishment of a co-operative mess.[3] There was also a distinct possibility that officers would die or become seriously ill during their tour of duty. The European mortality rate in the Gold Coast, for example, was 7.5%, and, in Lagos, 5.3%.[4] While, on their return to Britain, they often found it difficult to obtain fresh employment, as their colonial experience was often 'practically useless in any other country', during their time away they had lost valuable business contacts, and, in the case of West Africa, time spent in the colonies raised doubts about their general state of health.[5]

A further reason for the employment of unsuitable people and the delay in filling vacancies, however, was the system of recruitment adopted, and the Agents' and CEs' general ineffectiveness.[6] The use of a number of CEs, each with their own

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[1] C. Jeffries, *The Colonial Empire and its Civil Service* (Cambridge, 1938), p. 107.

[2] CO 96/423/5870, Darnley, 8 March 1904.

[3] CO 554/2/5664, Ellis, 1 March 1911.

[4] CO 96/400/49546, CAs to CO, 29 Nov. 1902.

[5] CO 273/285/2317, CAs to CO, 18 Jan. 1902; CO 273/285/12219, note, 1 March 1902.

[6] The Gold Coast railway manager, in 1910, claimed that, of the 23 Europeans whose services he had dispensed with from 1907-10, he would not have chosen fourteen 'had they been put before me in London' (CAOG 17/25, Smythe to Col. Sec., 10 Oct. 1910).

employment register, restricted the choice of candidates and increased costs, advertisements issued by the CEs attracted fewer and poorer quality candidates than those that originated from the Agency, and correspondence between the Agents and CEs led to delay.[1] In addition, the CEs had a monetary incentive to select men who would break their contract before they set sail, or would prove unacceptable to the colony and thus force the employment of a replacement. Both the Agents and CEs were also inefficient. The Agents, who were unwilling to commit resources to the provision of a service for which they were not paid, monitored qualifications and references in 'a very perfunctory' manner, and, even where checks were made, the findings were often ignored.[2] In 1899, for example, the Agents employed a Foreman, even though they had been informed that he had previously been dismissed from the colonial service for drunkenness.[3] The CEs were even more ineffective. In the case of Messrs Shelford & Son, recruitment work was undertaken by a single clerk, and neither Shelford nor his various 'partners' had any involvement in the selection process.[4] Both the CO and Agents expressed dissatisfaction with the CEs. F.R. Round had 'never much believed' in their use, and argued that they 'probably had little knowledge of the general experience required in particular colonies'.[5] The Agents later accepted that the CEs did not go 'about the matter (of recruitment) in the right way'; that they took too long in the selection of candidates; and that, at least Messrs Gregory, Eyles and Waring, did their work 'very badly'.[6]

In 1908, it was discovered that the CE Osbert Chadwick had failed to investigate the references and qualifications of a Hong Kong drainage engineer, who was subsequently dismissed. Although Chadwick was not paid and informed that he would not be used again, the CO demanded that the selection process be tightened up. The

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[1] *Ibid.*, memo, 20 Oct. 1910; *ibid.*, Lagos Gov. Railway to CO, 27 Sept. 1910.

[2] CO 96/366/34783, Antrobus, 31 Oct. 1900.

[3] CO 96/347/3318, CO to CAs, 24 Feb. 1899; CO 96/347/5954, Harris, 10 March 1899.

[4] CAOG 17/25, memo, 7 Dec. 1910.

[5] CO 323/463/18750, Round, 1 June 1901.

[6] CAOG 17/25, memo, 20 Oct. 1910; *ibid.*, memo, 30 Jan. 1914; CO 554/2/5664, Ellis, 1 March 1911.

Agents therefore asked the CEs to ensure that all candidates completed application forms, and to enclose, with their recommendation report, the application form and references of the selected candidate.[1] The complaints, however, continued, and, in 1909, A. Fiddean called for a reappraisal of the use of the CEs, and, in 1911, after further criticism, the CO asked the Agents to take over the work.[2] Lacking staff and office space, the Agents, at first, assumed only the responsibilities of the CEs Frederic Shelford and Duncan Elliot, but, by 1918, had taken over the tasks of all the engineers.[3] On the advice of West African governors, they also established informal links with English railway officials, began to obtain advice from colonial officials on leave in the UK, and started to issue general advertisements, the applicants to which were placed on their register of potential candidates.[4] Suggestions that they set up an examinations board, composed of retired officers, or obtain men through an English railway company were rejected, as retired officers' knowledge of local conditions would be out of date, and the use of a railway company would negatively effect the quality of candidates employed.

The difficulty of recruiting Europeans, and their unsuitability and high cost in terms of salary, allowances, leave and time spent ill, caused many colonies to propose that the Agents employ other nationalities.[5] In 1903, the Lagos governor suggested the recruitment of East Indian railway fitters and drivers, who could be employed on low salaries, and, able to withstand the climate better than Europeans, would be less prone to sickness.[6] The Agents opposed their employment, arguing that they would be unable to adjust to the West African climate, and that, under the 1883 Indian Emigration Act, they would be classed as emigrants and would need an Indian

[1] CO 129/350/29987, CAs to CO, 15 Aug. 1908.

[2] CO 96/488/3152, Fiddian, 16 Feb. 1909; CO 554/2/5664, CAs to CO, 18 March 1911; CAOG 17/25, CO to CAs, 16 June 1910.

[3] CO 323/577/9051, CAs to CO, 18 March 1911; CAOG 13/318, CO to Ceylon, 28 Feb. 1918.

[4] CO 554/2/5664, CAs to CO, 18 Feb. 1911.

[5] CAOG 13/283, GC to CO, 6 Feb. 1907.

[6] *Ibid.*, CO to CAs, 5 June 1903.

government sanction to leave India, which could take time to secure, be refused, or incorporate employment conditions that would reduce the economic benefit of their employment.[1] On the advice of the CEs, they instead recommended the recruitment of W. Indians, who were better suited to the climate and whose passage to the colony would be cheaper.[2] On contacting Jamaica, however, it was found that, owing to the high demand for workers from the Jamaican and Central and S. American railways, who paid relatively high salaries, no Jamaican wished to take up the colony's offer. Undeterred, the Gold Coast in 1905 proposed the recruitment of American 'negroes'. Asked to comment, Shelford pointed out that salaries in the USA were ten to twelve times those paid in West Africa, passage costs would be high, and that it was unlikely that men would be willing to leave the USA for as long as twelve months, the colony's proposed tour of duty.[3] The colony consequently, in 1907, again sought to employ W. Indians, managing to obtain five men from Trinidad.[4] Sierra Leone, in the same year, also recruited two W. Indian locomotive drivers, and N. Nigeria began to employ E. Indians as clerks and artisans.[5] The latter experiment, however, proved a failure - 'isolated, detesting and detested by the natives' and ostracised by the Europeans, the Indians spent 'all their spare time grumbling and composing petitions about their grievances'.[6]

Some governors also began to favour the recruitment and training of indigenous workers for lower ranking technical jobs. In 1897, the Ceylon governor proposed that natives of the Island, who had freshly graduated from the Royal Engineering College, be given preference when vacancies in the colony's PWD occurred.[7] The Agents rejected the proposal insisting that candidates should have a three year pupillage with

[1] *Ibid.*, CAs to CO, 19 Sept. 1904.

[2] *Ibid.*, Shelford to CAs, 15 June 1903.

[3] *Ibid.*, Shelford to CAs, 4 July 1905.

[4] *Ibid.*, CO to Trinidad, 11 Nov. 1907.

[5] CO 267/499/42475, CAs to CO, 4 Dec. 1907.

[6] CO 96/488/27512, note, 8 Sept. 1909.

[7] CAOG 13/288, CAs to CO, 8 Feb. 1897.

a member of the Institution of Civil Engineers, and from 18 months to two years construction experience. The CEs, however, appear to have failed to have been informed of the Agents' views, and gave preference to Royal Engineering College Ceylonese graduates until 1904, when, on the instructions of the then governor, the preference was abandoned.[1] In West Africa, attempts to employ indigenous labour were less successful. Those in authority tended to have a low opinion of the West African, who supposedly 'did not take kindly to mechanical or any work requiring sustained effort', and European workers, wishing to protect their own jobs, were reluctant to train them.[2]

The Agents' other personnel duties included the payment of colonial service pensions and some salaries, and the arrangement of transport. They also paid salary advances and outfit allowances to those entering the colonial service; drew up technical officers' employment contracts; arranged, through insurance companies, bonds for those officers appointed to positions of responsibility; distributed to the relatives of those who died in service the deceased's colonial possessions and the balance of their estates; and, from 1900, took care of colonial students studying in Britain.[3] The Office's salary and pension duties involved the payment of half salaries and pensions to colonial officers, respectively, on leave or retired in Britain and Europe, and full salaries to the agents of those officers serving in S. and N. Nigeria who chose not to be paid in the colonies.[4] The work was heavy and at times complex, and often failed to be covered by colonial annual contributions, which additionally paid for a number of other services.[5] The cost of dealing with Ceylon pensions, for example, which had to be

[1] *Ibid.*, CO to Ceylon, 3 June 1904.; *ibid.*, Ceylon to CO, 13 July 1904.

[2] CAOG 13/283, Glaster to Col. Sec., 19 Dec. 1902; *ibid.*, CO to CAs, 5 June 1903.

[3] *PP, 1904*, lix (Cd 1944); CAOG 15/121, CO to CAs, 20 Jan. 1898; G.V. Fiddes, *The Dominions and Colonial Offices* (London, 1926), p. 29; CAA: Security bond file. Security bonds were largely obtained through the Commercial Union Assurance Co. Ltd and the Guarantee Society (*ibid.*).

[4] CO 520/97/5580, CAs to CO, 23 Feb. 1910.

[5] The Agency in 1907 paid 4,200 salaries/pensions, and in 1913 5,708 (CAOG 16/1, memo, 16 June 1914).

paid at the current rate of exchange and were revised every three years, was almost twice the colony's annual contribution to the Agency.[1] Nevertheless, a number of governments complained about the expense of the service. S. Nigeria, for instance, in 1903 argued that it should be provided for a nominal charge, claiming that, before the Agency began to act for the protectorate, salaries were paid by a bank for no fee.[2]

The Agency's transport role included the arrangement of passages for colonial officers and troops leaving or returning to the colonies, and, more importantly, the management of the transport of indian emigrants to and from the W. Indies and Fiji, a function inherited from the Colonial Land and Emigration Commission in 1878.[3] The emigration work involved the Agents acting as an intermediary between the receiving colonies and the emigration agent, who, based in India, recruited the emigrants; chartering the necessary vessels; and appointing for each voyage a Surgeon Superintendent, who provided the emigrants with medical assistance and ensured their general well-being. At first, the service was performed for no fee. In 1883, however, the Agents proposed that the colonies be charged 2 shillings per emigrant and that the proceeds be paid to themselves, who completed the extra work, rather than the Agency.[4] The CO, 'only imperfectly' aware of the amount involved, agreed, but, wishing to protect W. Indian finances damaged by the depression in the sugar industry, requested that the sum be paid from the Office Reserve Fund.[5] The payments, which from 1889 to 1892 averaged £1,233 pa, continued to be made until 1896, when the CO, believing they were not 'free from objection', halted the

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[1] CO 323/985/19, CAs to CO, 8 July 1927.

[2] CO 520/21/38039, CAs to CO, 15 Oct. 1903. In reply, the Agents pointed out that the protectorate had been required to keep a fixed interest free balance with the bank, the payment of salaries had encouraged colonial officers to open accounts, the number of salaries to be paid had subsequently grown, and that the bank had not been required to calculate the salaries (*ibid.*).

[3] CO 384/147/18524, CAs to CO, 29 Oct. 1883. From 1878 to 1883, the Agents chartered 98 ships that transported 41,457 emigrants (*ibid.*). From 1899 to 1907, they arranged the passages of 69,258 emigrants (*PP 1910*, xxvii (Cd 5194), No. 26e). The Agents originally also took over the arrangement of passages for convict families to Tasmania and W. Australia, the management of Natal emigration, and the sale of Falkland Island land orders and the provision, from the purchase money, of passages for those emigrants nominated by the purchasers. By the mid-1880s, however, these duties appear to have lapsed.

[4] CO 384/147/18524, CAs to CO, 29 Oct. 1883.

[5] *Ibid.*, CO to CAs, 4 Feb. 1883; CO 323/499/23361, Round, 5 July 1904.

arrangement.[1] Thereafter, neither the Agents nor the Agency were compensated for the service, with a 1912 CA appeal for the introduction of a charge of 6d per emigrant being rejected by the CO.[2]

The shipping contracts negotiated by the Agents generally ran for one, three or five years. Approximately half were filled by open competition, which prevented 'adverse criticism' of the Office.[3] Advertisements were placed in the press, displayed in the London, Liverpool and Glasgow Shipping Exchanges, and, on occasion, sent direct to firms likely to be interested.[4] Generally, only a few tenders were received and the contracts won by the same firms.[5] As colonies preferred the use of sailing ships and required emigrants to be transported during a three month 'season', only companies with large fleets of passenger steamers were able to tender.[6] In addition, from the early 1890s, James Nourse and Messrs Sandbach Tinne & Co. entered into an arrangement whereby the former bid for contracts, and, if successful, shared them with Sandbach.[7] Before 1886, contracts also failed to incorporate all the requirements of the Indian government, and companies new to the trade therefore often unknowingly contravened regulations and were fined, which discouraged them from entering future tenders.[8]

The remaining contracts were renewed without competition or given to Nourse. It was argued that Nourse offered lower rates when there was no competition, as he was

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[1] CAA: M 38.

[2] CO 323/591/15603, CAs to CO, 18 May 1912.

[3] CO 384/188/6554, CAs to CO, 20 April 1893.

[4] eg. CO 384/136/3486, CAs to CO, 25 Feb. 1881; CO 384/185/23446, CAs to CO, 2 Dec. 1892.

[5] From the late 1880s, James Nourse, but also Messrs Sandbach Tinne & Co., Messrs Tyser & Co., and the British India Steamship Co.

[6] CO 384/188/6554, CAs to CO, 20 April 1893. It was thought that emigrants transported by sailing ship were landed in 'better condition' than those shipped by steamer, owing to the superior ventilation and the longer duration of the voyage during which their general state of health improved. Steamers were, occasionally, used in the 1880s (Basil Lubbock, *Coolie Ships and Oil Sailers* (Glasgow, 1955), p. 81).

[7] CO 384/188/6554, CAs to CO, 20 April 1893.

[8] CO 384/162/13863, CAs to CO, 3 Aug. 1886.

aware that if his offer was considered excessive a tender would be held and he might lose the contract.[1] Moreover, by dispensing with competition, the Agents saved the cost of organising the tender and reaped the adverse selection/moral hazard benefits of the use of one contractor. The colonies and Nourse's competitors, however, strongly criticised the lack of competition. In 1891, for example, the unofficial members of the Trinidad legislative council objected to the extension of a Nourse contract by one year.[2] While, in 1887, Messrs Sandbach Tinne & Co. complained about a further extension of a Nourse contract, claiming that they would have undertaken the work for a lower fee.[3]

The Agents further minimised contractor adverse selection/moral hazard through performance related remuneration, bonds, and monitoring. The contractors' remuneration took the form of a passage fee for each emigrant landed. No fee was received for healthy emigrants who died at sea, and, for those who died and were deemed by the Surgeon Superintendents to be invalids, a fee equivalent to that part of the trip completed at the time of death was paid.[4] Contractors consequently had a strong incentive to ensure that their passengers survived the voyage. Similarly, on accepting a contract, the contractor and two third parties had to provide a surety of between £2,000 and £3,000, from which fines would be deducted for contravention of the requirements of the contract.[5] To ensure that any breaches were discovered, contractors were also closely monitored. Vessels transporting emigrants from India to the colonies, which always sailed from England, were subject to a three day inspection by the Board of Trade and a further examination when they arrived in India.[6] During

[1] CO 384/188/6554, CAs to CO, 20 April 1893. The view is supported by the 1893 Trinidad and British Guiana tenders that were won by Nourse at rates respectively 10 and 15 shillings above his pre-tender offer (CO 384/188/20237, CAs to CO, 30 Nov. 1893).

[2] CO 384/182/5787, CAs to CO, 20 March 1891.

[3] CO 384/166/8984, Sandbach to British Guiana, 29 March 1887.

[4] CO 384/190/9599, contract.

[5] CO 384/162/13863, CAs to CO, 3 Aug. 1886; CO 384/190/9599, contract.

[6] CO 384/152/3067, CAs to CO, 12 March 1884. Those ships returning emigrants to India that sailed from the colonies were inspected at the port of departure.

The *Avon*, Owned by James Nourse[1]

The Captain, Surgeon Superintendent and Leading Hands of the James Nourse Ship *The Avoca*[2]

Indentured Emigrants at Work on a Fijian Banana Plantation[3]

[1] Lubbock, *Coolie Ships*, p. 97.

[2] *Ibid.*, p. 320.

[3] Kay Saunders, *Indentured Labour in the British Empire* (London, 1984), p. 312.

the voyage, the Surgeon Superintendents closely monitored the contractors' treatment of the emigrants, reporting any unacceptable behaviour to the Agents.

The CAs minimised the adverse selection/moral hazard of Surgeon Superintendents through short-term contracts, long-term relationships, and high performance related salaries. Surgeons were employed only for each voyage, with re-employment 'subject to their good behaviour'.[1] Those, however, who performed their duties effectively, worked for the Agents continuously, and, by 1892 some had undertaken the work for thirty years.[2] Remuneration again took the form of a passage fee for each emigrant landed, the size of which increased with each voyage completed up to the eleventh passage.[3] Surgeons were thus again encouraged to perform their work adequately, and experienced men discouraged from leaving the profession. A single fee would also have attracted candidates who regarded the work 'only in the nature of casual employment'.[4]

To increase the cost of dismissal, the fees paid were relatively high and were consequently the subject of a number of complaints. Criticism culminated in 1892 when Trinidad, concerned at average earnings of £740 per voyage, proposed that the Surgeons be replaced by officers of the island's medical department.[5] The Agents strongly opposed the initiative, claiming that the officers lacked sufficient experience, and that, given the onerous, responsible and temporary nature of the work and their inability to obtain employment between voyages, the Surgeons were not overpaid.[6] The CO, however, agreed with the colony, pointing out that, since the rates were introduced, the carrying capacity of ships had increased, surgeons were able to make

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[1] CO 384/185/8372, CAs to CO, 26 April 1892.

[2] *Ibid.*, note, 16 June 1892.

[3] CO 384/190/14019, CAs to CO, 8 Aug. 1894.

[4] *Ibid.*

[5] CO 384/185/8372, CAs to CO, 26 April 1892. In comparison, doctors employed on passenger steamers earned £120 per passage plus fees from passengers (*ibid.*, note, 16 June 1892).

[6] *Ibid.*; CO 384/190/14019, CAs to CO, 8 Aug. 1894.

two rather than a single voyage per year, and there was no longer a shortage of medical personnel.[1] They consequently required the Agents to submit a lower pay scale, which was eventually introduced in 1895.[2]

6.2 Miscellaneous Duties

The most important miscellaneous duty performed by the Agents was the issue of coin and paper currency and stamps to the colonies. The Agents arranged the provision of colonial and imperial coin and the repatriation of worn coin for all the Crown colonies, except the W. Indies, much of whose coin was supplied by the Colonial Bank, and Lagos, Sierra Leone, the Gold Coast and the Gambia, where, from the mid-1890s, the service was undertaken by the Bank of British West Africa, and, from 1912, the West African Currency Board.[3] In order to ensure a uniform and unfluctuating value, colonial governments and banks were only allowed to issue currency if they guaranteed the security of the issue through a contribution to the associated UK investment Fund managed by the Agents. On receiving the guarantee, the Agents informed the Royal Mint (Appendix 12) or, in the case of Ceylon and to a lesser extent Hong Kong, the Indian Mint of the coins required and arranged for their shipment to the colony.[4] In the case of Imperial coins, the necessary bullion was purchased by the Royal or Indian Mint. Bullion for colonial coins, however, was bought by the Agents in the open market through their brokers. To avoid sellers, of particularly silver, holding back supplies in an attempt to raise prices, and banks increasing the bill exchange rate of the colonial purchaser, the decision to buy was concealed.[5] The secrecy appears to have been successful, in that there is no evidence of market manipulation. It does, however, seem likely that the Agents' refusal to buy silver in advance of need, if prices were low, resulted in losses. The Agents believed that such purchases were speculative, and feared colonial criticism if prices

[1] CO 384/185/8372, note, 16 June 1892.

[2] Under the new scale, surgeons obtained the normal passage fee for the first 500 emigrants on a voyage, and half the fee for each emigrant over that figure (CO 384/190/14019, CAs to CO, 8 Aug. 1894).

[3] J.B. de Loynes, *The West African Currency Board* (London, 1962), p. 9; Mint 13/56, memo, 5 June 1891.

[4] *Ibid.*; CO 129/278/23834, Robinson to CAs, 4 Nov. 1897.

[5] CO 129/320/15064, CAs to CO, 23 April 1903.

subsequently fell. They therefore, at some time in the late 1880s, replaced their then brokers Mocatta & Goldsmid, who bought in advance, with the more conservative Pixley & Abel.[1]

The Agency's relationship with the Royal Mint was poor. The Mint was often unable to produce coin immediately, owing to the large demand for its services, particularly from the self-governing colonies, who generally received priority, due to the larger profits involved and concern that delay would lead to local production.[2] In such circumstances, to avoid damage to colonial trade, the Agents or the Mint requested permission from the Lords Commissioners of the Treasury to use, under Mint supervision, the privately operated Birmingham Mint.[3] The Treasury's insistence that the Agents should require the Birmingham Mint to provide an estimate, which had then to be checked by the Royal Mint, greatly increased the Agents' costs.[4] In addition, the Royal Mint occasionally insisted on retaining orders, and the resultant delays led to colonial criticism.[5] The Agents were also partly and unfairly blamed for the Royal Mint's charges, which took the form of a 3% to 10% commission for colonial coinage, but, for Imperial coins, seigniorage, the difference between the nominal value of the coin paid by the colonies and the far lower cost of the bullion.[6]

Crown colony stamps and notes were supplied by the Agents' stamp department, which, from 1890, was regarded as a separate self-supporting establishment, and could

[1] CAOG 17/64, memo, 23 April 1923.

[2] CO 87/161/2710, CAs to CO, 24 Jan. 1900.

[3] Mint 13/114, Mint to CAs, 9 Feb. 1880; *ibid.*, Mint to CAs, 5 March 1880; Mint 13/42, Mint to CAs, 2 Feb. 1882.

[4] eg. Mint 13/55, CAs to Mint, 21 Oct. 1882.

[5] In 1911, for example, the Mint strongly and successfully opposed the loss of a S. Nigerian order (CO 520/109/1027, CAs to CO, 29 March 1911; *ibid.*, CO to Treasury, 11 April 1911).

[6] Mint 20/538, memo, 21 Oct. 1913. Although the Royal Mint paid the packing, freight, insurance and shipping charges of the coin, they still made 'enormous profits' (B[ritish] M[useum]: M/Coins, CAs to CO, 23 April 1906; Mint 4/86, regulation, 12 Feb. 1879). From 1881-90 net profits on the supply of W. Indian silver coin amounted to 87%, £197,800 (Mint 13/52).

thus continue to work for colonies even when they achieved self-governing status.[1] The stamps/notes were procured from the private company Messrs De La Rue, who also printed British and Indian stamps. The paper, until 1912, was obtained from R.D. Turner & Co. The Agents then entered into an arrangement with W. Howard & Co., who appeared to supply similar quality paper at a lower price, but, in the following year, much to the Agents' embarrassment, increased the cost of coloured paper to twice that charged by Turners.[2] Critics of the Office claimed that the cost of stamps/notes was excessive. Colonies could certainly have reduced administration and inspection costs, if like India, they had placed their business in the hands of the Inland Revenue, who organised the printing of British stamps and charged a lower fee.[3] It also seems likely that the Agents could have obtained lower rates from De La Rue. In 1901, the Straits, without the Office's knowledge, negotiated a private contract with the company, in which De La Rue agreed to produce currency notes at half the cost it charged the Agency.[4] Prices could have been additionally reduced by obtaining stamps and notes from colonial printers.[5] Costs were lower in the colonies, and, from the 1880s, UK prices were kept high by an arrangement between De La Rue and its main rivals Waterlow Bros., the printer of foreign stamps, which ensured that the market was shared.[6] The printing of stamps and notes by colonial firms, however, would have greatly increased the risk of fraud/criticism. Use of De La Rue ensured that both were printed to the highest standard, and also allowed the Agents to mount an effective monitoring operation.[7]

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[1] CO 323/648/22741, CAs to CO, 1 July 1913. In 1908, for example, the department inspected Natal stamps (CO 323/538/32589, CAs to CO, 4 Sept. 1908).

[2] J.P. Bunt, *The De La Rue Definitives of the Falkland Islands 1901-29* (Truro, 1986), p. 21-2.

[3] *PP 1896*, xv (Cd 8258), q. 2531/2; CO 323/538/32589, CAs to CO, 4 Sept. 1908.

[4] CAOG 17/24, no. 142, no. 26. The Agents claimed that the original charge was high, as it was for a first order, and that it would have fallen when the true cost of printing the notes had been discovered without the colony's intervention (*ibid.*, no. 34, paragraph 92).

[5] *Ibid.*, no. 142, no. 26.

[6] Lorna Houseman, *The House that Thomas Built* (London, 1968), p. 156.

[7] Throughout the period, the Office employed at De La Rue's works an inspector and generally 18 to 20 examiners, who, under strict controls, issued plates and watermarked paper, supervised the destruction of waste and packing, and checked all stamps and notes produced (BM: G/1736a, memo, 10 April 1904; *Bunt, The De La Rue*, p. 8).

The Agency's other miscellaneous duties included the publication of various colonial pamphlets and books; the collection of licence fees and export duties payable in Britain; and the payment of colonies' Post Office and money order accounts.[1] They also sold colonial government goods in the UK, for which they received a commission of 1%, and colonial postage stamps to dealers, receiving in return, from 1906, a commission of 1/4%, with a minimum of 10 shillings.[2] Finally, they investigated, through their brokers and solicitors, the financial standing and resources of companies and individuals applying for land, mining and other concessions in the colonies and occasionally conducted the subsequent negotiations; vetted private banks that wished to issue their own currency; from 1895 and on behalf of the Treasury, evaluated the resources of all the banks operating in the Empire; and, from 1912, dealt with the administration of the West African Currency Board on which one of the Agents sat.[3]

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[1] *PP 1881*, lxiv (C 3075).

[2] CAA: M 202, CO circular, 15 May 1905; *ibid.*, CO circular, 19 Jan. 1906. In 1909, 1910 and 1911 commissions for the sale of colonial produce totalled respectively £54, £579 and £58 (*PP 1910*, lxvi (Cd 5391); *PP 1911*, liii (Cd 5744); *PP 1912/3*, lx (Cd 6279)).

[3] CAA: O/Sec 12/3, p. 48; CO 129/269/23140, Ryder to CO, 27 Dec. 1895.

Chapter Seven: The 1901 and 1908 Enquiries

The first enquiry into the Agency occurred in 1901, and took the form of a circular despatch that was sent to all Crown colonies and requested detailed criticisms of the Agents' performance of their duties. The investigation was initiated by a complaint from Sidney Olivier, a trusted CO official, who had served in three W. Indian colonies, and in 1900 was appointed colonial secretary of Jamaica. Olivier informed Chamberlain that in all the colonies in which he had served, 'the universal opinion, not only among uninterested unofficial members of councils and the public, but amongst governors, colonial secretaries, and other high placed officials' was that the service provided by the Agency was unsatisfactory.[1] Although he himself did not believe that 'the colonies as a whole are ill-served or expensively served', he had come across cases in which it had been 'a disadvantage to do business' with the Agency. Consequently, he proposed the establishment of a commission of enquiry composed of past and present governors and other critics, including a commercial representative, whose findings would 'dispel colonial prejudice' and improve the efficiency of the Office.[2]

In Chamberlain, Olivier found a receptive audience for his criticisms. The Secretary of State had long been concerned about the high cost of West African railway construction, and, two months previously, had been perturbed by the discovery that the Agency had supplied Lagos with a locomotive twice as expensive as that ordered, and, because of its excess weight, totally unusable.[3] He was also, owing to the revelations emerging from the select committee on WO contracts, more aware than usual of the susceptibility of the Agents to corruption, and, as he and a colleague had been the subject of accusations of impropriety earlier in the year, was keen to protect

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[1] CO 137/611/25176, Olivier to Chamberlain, 18 July 1900.

[2] *Ibid.* At the CO, Olivier was regarded as 'indiscreet and intolerant of others' inadequacies' (*Kubicek, The Administration*, p. 19).

[3] CO 147/152/14525, CAs to CO, 9 May 1900. Chamberlain believed the locomotive order to be 'a very important case', reflecting the Agents' failure to follow the normal course of business (*ibid.*, Chamberlain, 24 July 1900).

the CO from further scandal.[1] Having 'a shrewd suspicion that the mercantile side (not the financial) of the CAs Office did require a little looking up' and feeling that an enquiry would ward off 'a serious attack' from Parliament, he consequently asked Olivier to supply 'specific charges'.[2] Olivier, however, declined 'on private and public grounds', but repeated that there was great colonial disquiet about the Agency. Unwilling to let the matter drop, particularly after it emerged that the Agents had again ordered expensive and unusable rolling stock for Jamaica, Chamberlain decided that colonial governors should be asked for their opinions of the Office.[3]

The replies to the circular were passed to the CAs for comment and then returned to the CO. In his 1904 despatch on the findings, Chamberlain reported that the investigation had been searching and exhaustive, and that only a small number of complaints had been received, few were important and most had proved groundless.[4] Nevertheless, to improve the efficiency of the Agency, he put forward a number of recommendations, primarily designed to reduce delays in supply, all of which were subsequently adopted. In fact, some of the complaints had been serious, and the CO had found a number of the Agents' rebuttals dubious. For example, the FMS complained of the defective supply of two locomotives and £11,000 of rails, and the Straits described how a direct approach to Messrs De La Rue had led to a 50% reduction in their currency note printing costs.[5] While J.F.N. Green felt that a price list supplied by Waterlow & Sons, which supposedly showed that the company charged the Agents relatively low prices, could contain 'slight evasion or economy of

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[1] The WO committee met from 4 May to 1 August 1900 (*PP 1900*, lx (313)). In 1899, the Earl of Selborne was discovered to be a director of P. & O. Ltd, which did a great deal of business with the CO. In 1899/1900, Chamberlain was found to hold £3,000 of the shares of the Royal Niger Co., whose compensation for the revocation of its charter was being discussed by the CO, and his immediate family to part-own and operate four firms that supplied goods on government contracts (G.R. Searle, *Corruption in British Politics 1895-1930* (Oxford, 1987), pp. 38-9, 47-8, 52-6).

[2] CO 137/611/25176, Chamberlain, 12 Aug. 1900.

[3] CO 137/615/36622, CAs to CO, 9 Nov. 1900.

[4] *PP 1904*, lix (Cd 1944).

[5] CAOG 17/24, Misc. 142, No. 26; *ibid.*, No. 29.

the truth'.[1]

As regards the number of complaints, only 28 colonies replied to the circular (26 if the Transvaal and the Orange River, who had no experience of the Agency are discounted), and ten claimed to be perfectly satisfied with the service provided. However, some colonies sent in large numbers of criticisms, Jamaica, for example, forwarded thirty one; many colonies, not wishing to overload their despatches, had supplied only examples of their grievances; and five of the satisfied colonies had government revenues below £50,000 and therefore had little to do with the Agency.[2] As acknowledged by C.P. Lucas, it also seems likely that the governors in their replies to the circular 'preferred to speak well rather than ill of the CAs', fearing the consequences that criticism could have on their careers.[3] Most governors realised that 'whilst the colonial governments are nearer the requirements of the colonies, the ground floor of Downing Street...(the Agents' Office)...is nearer the Secretary of State'.[4] Two of the three serving Agents were ex-CO clerks, the Under Secretary of State was the ex-Senior CA, and the Agents' advice and recommendations were usually incorporated in CO correspondence.[5] Moreover, most governors were well aware that the Secretary of State used the Agency to monitor their activities, and many had personal experience of Sir Ernest Blake's ruthless and vindictive personality. Some may also have been unwilling to antagonize an Office, whose goodwill could prove useful to them in the future.[6]

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[1] CO 885/8/151, Green, 12 Sept. 1902.

[2] *Ibid.*; CAOG 9/24, Misc. 142, No. 20; *ibid.*, Hemmings to Chamberlain, 8 Oct. 1901.

[3] CO 323/524/41857, Lucas, 21 Nov. 1906. Both the ex-governor Sir A.W.L. Hemmings and the *SCI* made similar points (*Empire Review*, 11 (1906), p. 508; *SCI*, 25 May 1904, p. 13).

[4] CO 137/613/31708, Olivier, 11 Sept. 1900.

[5] The latter occurred because the Agents' letters containing the advice often included criticisms of colonies (*ibid.*, Pearson, 11 Oct. 1900).

[6] In 1906/7, the Agents recommended the acceptance of applications for concessions for respectively the Ceylon Pearl Fisheries, 4,000 sq. miles of Sierra Leone, and a Fijian guano monopoly from companies owned by the ex-governors of these colonies (*Hansard*, 4th series, 1906, clxiii. 1322; *ibid.*, clxv. 386; *ibid.*, 1907, clxxi. 554-7). In 1907, Sidney Olivier instructed the Agents to employ, as architects of public buildings destroyed in the 1906 earthquake, a firm in which his brother-in-law was a partner (CO 137/660/25319, CAs to CO, 16 July 1907). See also CO 446/101/19481, CAs to CO, 12 June 1911.

It seems unlikely that Chamberlain's report on the enquiry would have been written and circulated to the colonies had there been little further criticism of the Agency. However, from 1901 the number of complaints increased and became progressively more public. In June 1901, the Gold Coast governor, Sir William MacGregor was highly critical of the Agents' work on the Gold Coast railway in a speech to the Manchester Chamber of Commerce.[1] The following year, Sir Harry Johnson, another ex-governor, in a Royal Society of Arts speech, attacked the extravagant cost of departmentally built railways, and claimed that the CEs were chosen for their work 'because they were people who somebody wanted to provide for'.[2] While the distinguished journalist E.D. Morel made a number of charges against the Agency that Blake and the CO believed were 'outrageous' and 'disgraceful and libellous'.[3] From 1902, criticism began to spread to the press and Parliament. Damning articles appeared in the *Daily Mail*, the *British Trade Journal*, and *SCI*, and the *Times* published a lengthy correspondence on the Office.[4] Even more vehement accusations were made in colonial newspapers. The *Straits Times*, for example, variously described the Agents as 'licensed pickpockets', 'objectionable parasites', 'vultures', 'a blight', and 'a cancer on the community'.[5] In the House of Commons, the CO faced a series of questions on every aspect of the Agents' work, and, in a June 1904 House of Lords debate on the Office, the Earl of Portsmouth called for the appointment of a select committee 'to enquire into the system by which the CAs are paid and their methods of

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[1] CO 147/168/8385, CAs to CO, 4 March 1903. MacGregor later apologised (CO 147/166/31878, MacGregor to CO, 8 Aug. 1903).

[2] *Journal of the Royal Society of Arts*, 8 April 1904, p. 450.

[3] *Morel, The Affairs*, pp. 17, 30-3; CO 323/492/6877, Blake, 6 June 1904; CO 147/168/8585, Antrobus, 16 March 1904. Apart from a claim that the Agents lent money to colonies at a higher rate of interest than it was obtained from the banks, Morel refused a CO request to withdraw the charges, and, as it was not considered advisable to prosecute for libel, the matter was dropped (CO 147/168/8585, Butler, 6 March 1904; CO 323/492/6877, Blake, 6 June 1904).

[4] eg. *Daily Mail*, 22 April 1904, p. 4; *ibid.*, 23 April 1904, p. 4; *ibid.*, 26 April 1904, p. 4; *British Trade Journal*, 1 April 1902, p. 128; *SCI*, 9 March 1904, p. 7; *ibid.*, 16 March 1904, p. 7; *ibid.*, 23 March 1904, p. 15; *Times*, 16 August 1904, p. 5; *ibid.*, 23 August 1904, p. 6; *ibid.*, 30 August 1904, p. 10.

[5] *Straits Times*, 6 Nov. 1906, p. 5; *ibid.*, 7 Nov. 1906, p. 4; *ibid.*, 13 Nov. 1906, p. 5.

transacting their duties'.[1]

The Agents blamed much of the criticism on the CO's failure to rigorously defend them, which they attributed to their quasi-government status and the fact that the Secretary of State did not 'feel that the attack was on himself'.[2] It was also claimed that the Agency was the victim of an organised campaign of vilification set in motion by merchants, firms that had been denied access to their suppliers lists, and City issuing houses, all of whom would gain if the Agency was closed down.[3] It was pointed out that Sir Harry Johnson was a director of the Shire Highlands Co., with whom the Agency had recently come into conflict; that Lord Grey, a House of Lords critic, was the director of a shipping company that had failed to receive the Agents' support on the S. African freight question; and that Lord Rothschild, another critic, was the head of a bank that undertook a large amount of loan issue work.[4] Such claims, however, appear to be more a reflection of Blake's growing paranoia than the true situation. From approximately 1902, Blake became increasingly convinced that 'everybody is trying to get his knife into us', and by 1908, believing that CO staff were intent on creating 'difficulties', had begun to correspond on all matters exclusively with the Under Secretary of State.[5]

The CO at first dismissed criticism of the Agency. As the complaints mounted and became more public, however, it was decided that action would have to be taken. Unfortunately, the Office was divided as to how to proceed. J.F.N. Green's suggestion

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[1] *Hansard*, 4th series, 1904, cxxxv. 1328-1362; eg. *ibid.*, cxxxiv. 1375; *ibid.*, cxxxvi. 361; *ibid.*, cxxxviii. 950.

[2] *PPE*, q. 1167; CO 323/538/3706, Blake, 3 Feb. 1908.

[3] CO 323/492/6877, Blake, 6 June 1904.

[4] *Ibid.* The Agents could have added that most colonial newspapers were owned or supported by merchants, and E.D. Morel and the MPs Austin Taylor and Herbert Samuel, the Agents' most persistent Parliamentary critics, were supporters of the French Congo campaign organised by the West African merchant John Holt, a hardened opponent of the Agency (HP: mss Afr. s. 1525, 18/2, memo, undated; *ibid.*, 18/14, Holt to Morel, 18 Dec. 1902; *ibid.*, Holt to Morel, 20 July 1903).

[5] *PPE*, q. 122; CAOG 17/22, Blake to Hopwood, 22 May 1908. See also CO 323/553/5185, CAs to CO, 11 June 1909; CAOG 17/22, Blake to Hopwood, 6 Feb. 1908. Blake's mental state may have been associated with his wife's death in 1902.

that an inter-departmental investigative committee, composed of Treasury, FO and CO representatives and ex-colonial governors, should be established was rejected as being too extensive.[1] Similarly, the Secretary of State Alfred Lyttelton's, proposal for the evidence of the 1901 enquiry to be presented to Parliament was discounted. Publication of the full evidence with its derogatory comments against the Agents and descriptions of the nefarious activities of suppliers would be detrimental to the colonies, and the presentation of an edited version would only fuel suspicions.[2] A further suggestion put forward by Lyttelton for the formation of a two man commission to investigate all recent complaints was also strongly opposed. Blake pointed out that the Agency had been completely vindicated by the 1901 enquiry, and that a further investigation would add another burden to its already heavy workload. In the event, a compromise was reached. Chamberlain's report on the 1901 enquiry was presented to Parliament. The CO, at the end of the Lords debate, agreed to investigate all further complaints and publish their findings.[3] And, to refute claims made in the *SCI* that the Agency had bought excessively expensive files for Ceylon, it was arranged for 'a friendly question' to be asked in Parliament.[4]

The CO's actions led only to a brief respite in the attacks on the Agents. By 1906, Parliament had again begun to question their conduct and there was renewed press complaint.[5] The most damaging article appeared in the *Empire Review* and was written by the former governor Sir Augustus Hemmings, who sent a copy to the new Parliamentary Under Secretary Winston Churchill.[6] The CO disparaged both the article and its author. Hemmings was 'not a man of first rate judgement or of first rate tact'; he had a personal animosity towards Blake, who had severely criticised him

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[1] CO 323/492/6877, Green, 3 June 1904; *ibid.*, Lucas, undated.

[2] *Ibid.*, Lucas, undated; *ibid.*, Blake, 6 June 1904.

[3] *Hansard*, 4th series, 1904, cxxxv. 1356-7, 1361.

[4] CO 323/499/20711, Lucas, 6 July 1904.

[5] eg. *Hansard*, 4th series, 1906, clxii. 700; *ibid.*, clxv. 384; *ibid.*, clxvi. 290; *ibid.*, clxvii. 657, 1507; *Jamaica Daily Telegraph*, 1 Sept. 1906, p. 10.

[6] *Empire Review*, 11 (1906), pp. 507-10; CO 323/524/41857, Hemmings to Churchill, 6 Nov. 1906.

when he was governor of Jamaica; and had, at one time, been 'anxious to be appointed a CA' himself.[1] Alternatively, Churchill supported both the article and Hemmings' call for an enquiry. Through his connections with the Transvaal, which from 1902-4 had successfully beaten off a CO attempt to enforce the monopoly regulation on the colony, Churchill was well aware of the depth of feeling that existed in the colonies against the Agency. Furthermore, he was not himself 'a great admirer' of the Office, and particularly objected to its methods of recruitment by 'favour unadorned'; the Office Reserve Fund, which he believed to be 'objectionable and I think indefensible'; and the inability of Parliament to investigate its activities.[2] Seizing his opportunity to act, Churchill therefore declared himself unable to undertake 'a sustained Parliamentary defence' of the Office without 'a full enquiry'.[3] As on most topics, however, his feelings were not shared by the Earl of Elgin, the new Secretary of State. Wishing to avoid rash decisions in his first months of Office, and probably unwilling to acquiesce to the demands of his junior Minister so early in their relationship, he rejected all calls for an enquiry.[4]

In February 1908, Churchill returned to the fray. He rejected a proposed answer to a Parliamentary question on the Agents' recruitment of staff, stating that he was unable to 'associate...(himself)...with this whitewashing'.[5] On the same day, with regard to a further Parliamentary question, he expressed the view that 'the system cannot be defended if it is severely attacked', adding 'I entirely disapprove of it'.[6] A few days later, he proposed that the CO should agree to a Parliamentary demand for an enquiry.[7] The CO was again divided on the issue. J.F.N. Green believed an enquiry

[1] *Ibid.*, Lucas, 21 Nov. 1906.

[2] *Ibid.*, Churchill, 25 Nov. 1906; CO 111/554/40273, Churchill, 4 Nov. 1906.

[3] CO 323/524/41857, Churchill, 25 Nov. 1906.

[4] *Ibid.*, Elgin, 26 Jan. 1907.

[5] CO 323/538/3706, Churchill, 4 Feb. 1908.

[6] CO 323/538/3707, Churchill, 4 Feb. 1908.

[7] CO 323/538/4106, Churchill, 6 Feb. 1908.

was 'to be desired'.[1] C. Harris rejected the proposal, unable to 'see...what we should gain that we do not now know'.[2] Inevitably, Blake opposed an investigation, as no prima facie case had been made against the Office, and 'the committee would feel itself almost bound to make recommendations' that could 'prove embarrassing to both the Secretary of State and ourselves'.[3]

After much discussion, it was decided that an enquiry should indeed be held. Precisely why this decision was reached is not recorded. However, it appears likely that by 1907 the CO had begun to accept that at least some of the complaints against the Agency were valid, and perhaps feared that the criticism had begun to affect their own reputation. In 1906, for example, C.P. Lucas pointed out to his colleagues that a Parliamentary accusation that the Agents' CEs encouraged the construction of uneconomical railways for their own gain inferred that 'successive Secretaries of State have connived at abuses'.[4] Other factors that probably contributed to the decision were Churchill's Autumn 1907 visit to E. Africa, where he heard further criticism of the Agency; the constant press and Parliamentary attacks on the supposed immorality of the Liberal government; and the retirement, in January 1907, of Sir Montague Ommanney, who would have argued strongly against an enquiry.[5] The presence of the Earl of Elgin as Secretary of State, who, as a former Viceroy of India, had first hand knowledge of the efficiency of the IO purchasing department and had 'a Gladstonian belief in the seriousness of public office', also no doubt played a part.[6]

The purpose of the enquiry was to give the Agency a clean bill of health, and to

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[1] *Ibid.*, Green, 5 Feb. 1908.

[2] *Ibid.*, Harris, undated.

[3] CAOG 17/22, Blake to Hopwood, 6 Feb. 1908.

[4] CO 323/516/46090, Lucas, 15 Dec. 1906.

[5] *Searle, Corruption*, pp. 123-71; CO 323/524/46167. During his trip, Churchill met with the manager of the Uganda railway, the director of the E. African public works department, and a number of other engineers (FO 881/9125, Churchill to Grey, 29 Dec. 1907).

[6] R. Hyman, *Elgin and Churchill at the CO* (London, 1968), pp. 349-56, 484.

'enable the Secretary of State to get the necessary reforms carried out'.[1] To achieve this, the CO, first, restricted the terms of the enquiry to such an extent that the Agents were bound to 'emerge triumphant'.[2] The committee was required only to discover 'the best method of selecting clerical and technical employees' and to consider the 'conditions of service, the scale of payment of salaries and pensions, and how far arrangements can be brought into harmony with the principles covering the civil service'.[3] The narrowness of the terms, however, led to Parliamentary and press criticism, and the CO, wishing to avoid an extension of the enquiry, allowed the committee itself to determine the scope of its duties, no doubt confident that committee members would be reluctant to increase their workload.[4] In the event, the committee decided to examine the Agents' performance of their various tasks only 'with a view to arriving at the questions laid before them', and to form a sub-committee to investigate the Agency's shipping and packing arrangements.[5]

Secondly, the CO ensured that only those likely to be sympathetic to the Agency were appointed to the committee or called as witnesses. All the committee members were past or present government officials, and none, apart from Sir Ralph Moor, had business experience.[6] Because Churchill, who was to have chaired the enquiry, was moved in April 1908 to the Board of Trade, the committee chairman was Sir John Seely, the new Parliamentary Under Secretary of State, who had no knowledge or experience of the Agency. Similarly, of the 36 witnesses interviewed by the committee, five were past or serving governors, two were colonial officials, five were

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[1] CO 323/538/45740, Antrobus, 31 Dec. 1908.

[2] CO 323/538/4590, note, 10 Feb. 1908.

[3] *Hansard*, 4th series, 1908, clxxxviii. 46.

[4] *Ibid.*, 418.

[5] *PPR*, p. iv.

[6] The committee comprised an ex-governor, the Comptroller of the Stationery Office, the second Civil Service Commissioner, the Assistant Comptroller and Auditor General, the Permanent Secretary to the Treasury, and C.A. Harris, the CO Principal Clerk (*Hansard*, 4th series, 1908, clxxxviii .417). An ex-governor, Sir Ralph Moor, had on retirement become a director of the African Steamship Co. (*DD*, 1904). An attempt to recruit a businessman, after press criticism, proved unsuccessful (*BSAEG*, June 1908, p. 518; CO 323/546/22118, note, 1 June 1908; *ibid.*, undated).

members of the CO, and sixteen were connected with the CAs.[1] Only the representatives of the WO, Admiralty, IO, Canadian High Commission, and the Army and Navy Co-operative Society shipping department, and the engineer of the Nyasaland railway, were independent of the CO. In the case of the CA witnesses, the evidence given appears to have been restricted even further by the Agents. Owing to an 'epidemic of illness at the Office', neither the head of the general stores department, his deputy, nor the head of the works department were able to appear before the committee.[2] Likewise, details of the Agents' financial activities were given by the senior partner in Mullens Marshall & Co., who, as he himself acknowledged, completed little work for the Agency.[3]

Much of the enquiry was devoted to an examination of staff conditions of employment. Of the small amount of evidence presented on the Agents' commercial activities, the majority was complimentary and uncritical. Only the ex-governor of the Straits, Sir J. Anderson, and Sir J.D. Rees and Sir B. Leslie of the Shire Highlands Railway Co., criticised the Agency. The evidence of the latter was dismissed on the grounds that they represented interests that would benefit from the closure of the Office.[4] The committee concluded that colonial discontent was 'due either to a want of touch between...(the Agents)...and the CO, to some want of elasticity on the part of officials,...or to personal considerations, but not any failure in the work of the Office, which appears to be on the whole well done and to be clear of all suspicion of corruption'.[5] An earlier conclusion that was 'a complete eulogism' of the Agents was abandoned when 'the oldest and most experienced member of the committee',

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[1] *PPR*, pp. iii-iv.

[2] CAOG 17/22, Harding to Blake, 28 Oct. 1908; *ibid.*, Blake to Harding, 28 Oct. 1908.

[3] *PPE*, q. 3705. Blake's requests for the enquiry to be held on the CAs' premises in the presence of Agents, and to sit only during mornings and from Monday to Thursday were rejected by the CO (CO 323/538/18399, CAs to CO, 22 May 1908; CAOG 17/22, Blake to Seely, 12 June 1908).

[4] CO 323/553/5185, Harris, 14 Feb. 1909.

[5] *PPR*, p. iv.

presumably Sir Ralph Moor, refused to commit himself to it.[1] Despite the lack of any 'proof of misconduct...or even of incompetency', however, the committee recommended widescale reorganisation of the Agency.[2]

Not surprisingly, Blake strongly opposed the Committee's conclusions. In a 29 page letter, which he demanded be published with the report, he rejected the mildly critical evidence presented to the enquiry, and claimed that its support of the Agency was too 'lukewarm', that the phrase 'appears on the whole to be well done' suggested 'some reservation or exception', and that the proposed changes were unnecessary.[3] His pleas, however, fell on deaf ears. The CO, believing the letter to be 'highly irregular and indeed improper' and that the Agents wanted 'a grievance and have made the very uppermost of every statement that can be considered disparaging' in order to oppose changes, published the report as it stood.[4] In response, Blake, angered both by the 'unjust statements and insinuations made by the committee' and the reorganisation of the Office 'for some reason which has not been avowed', decided that he 'could no longer with satisfaction continue to occupy...(his)...present position'.[5] This view was wholly endorsed by the CO, who felt that, as he had been 'in opposition to many of the views of successive Secretaries of State,...it was well that he should retire'.[6]

Blake was replaced by Sir Reginald Antrobus, who proceeded to implement the committee's various recommendations.[7] Staff began to be recruited through the civil service exam and paid according to civil service salary scales, the life insurance scheme became less generous and poundage payments were eliminated, and the

[1] CO 323/553/5185, Harris, 14 Feb. 1909.

[2] CO 323/538/45740, Crewe, 8 Jan. 1909.

[3] CO 323/553/5185, Blake to CO, 11 Feb. 1909.

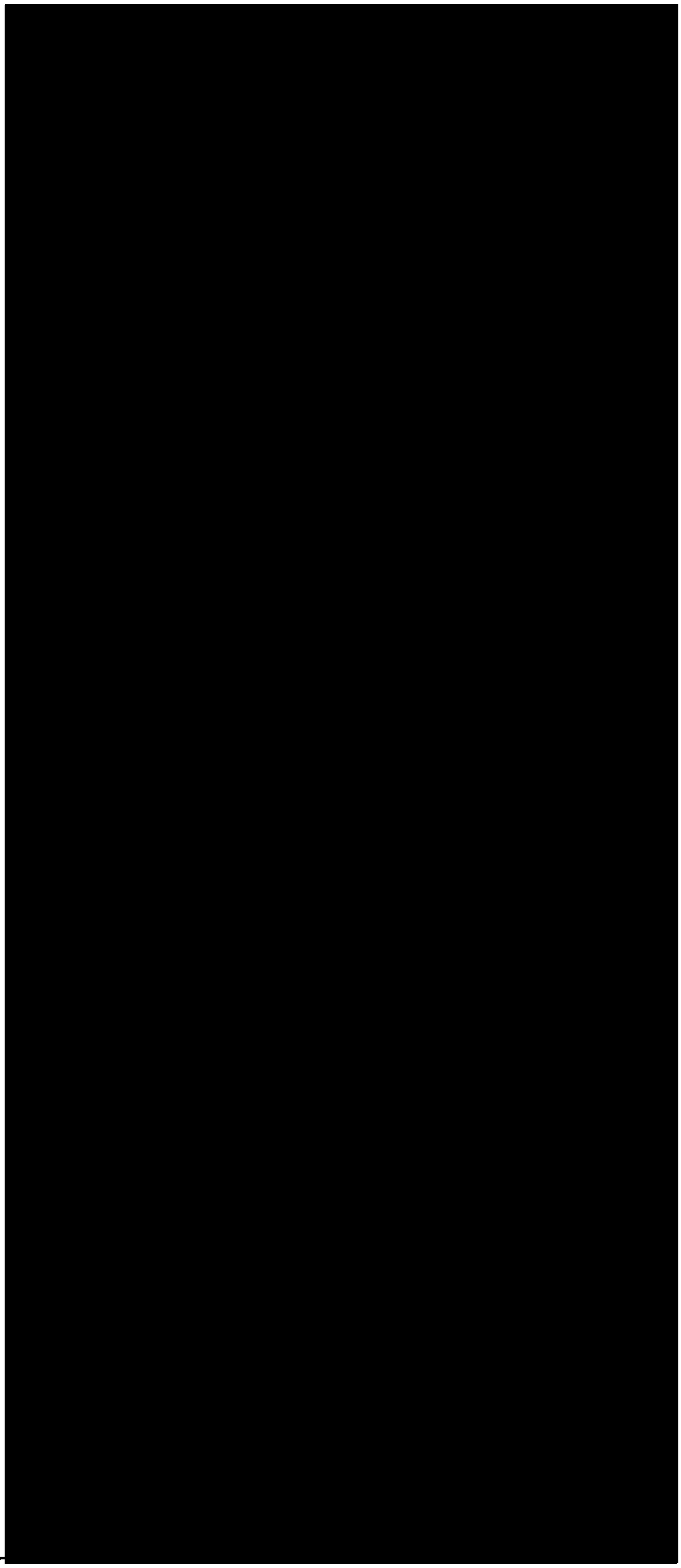
[4] *Ibid.*, Seely, 17 Feb. 1909; *Ibid.*, Crewe, 17 Feb. 1909.

[5] CO 323/562/12428, Blake to CO, 7 April 1909.

[6] CO 323/562/12428, Harris, 13 May 1910.

[7] In the enquiry, Blake had proposed Sir Maurice Cameron as his successor (*PPE*, q. 1279).

Cartoon Presented to Sir Ernest Blake on his Resignation from the Agency[1]



[1] CAA. The inscription reads 'This memorial was built to the glory of God and in memory of Sir Ernest Blake who built this Office'.

Agents took over the work of their shipping and packing agents.[1] In addition, Antrobus introduced further reforms. The Agency established a drawing office, took over much of the railway CEs' construction and open line workload, began to recruit most colonial technical staff itself, introduced greater competition in the purchase of goods, made less use of retailers, and set up a marine insurance Fund and a colonial information bureau.

The CO at first strongly supported Antrobus's reforms. After a short time, however, they began to suspect that some were designed to avoid the implementation of the committee's recommendation for surplus receipts and Reserve Fund income to be redistributed to the colonies in the form of lower charges. The 20% increase in staff from 1908-11 was claimed by Harris to be an attempt to 'use up surplus funds'.[2] The Agents' proposal for the income of the Reserve Fund to be transferred to the insurance Fund was dismissed as a way of 'piling up...the Reserve Fund under another name'.[3] While, the Agents' 1910 decision to exclude issue income from annual receipts, as the fee partly covered the cost of managing loans over their lifetime, was again believed to be an attempt to 'absorb the surplus'.[4]

In 1912, the Agents, after much delay, finally agreed to reduce their loan charges, but at the same time recommended that the Reserve Fund be allowed to grow through the receipt of the Office's loan issue and redemption income and Fund dividends.[5] It was argued that the Fund would be considerably reduced when, owing to the Board of Works's compulsory purchase of their existing offices, they relocated. Supposedly

[1] One of the main beneficiaries of the salary adjustments was E.G. Antrobus, who Sir Reginald Antrobus insisted should be paid separate salaries for his work as Chief Accountant and Chief Clerk to ensure that he had no 'grievance' (CO 323/553/37066, Harding, 18 Nov. 1909). Although the CO had 'very great doubts' about the payments, they were eventually permitted, provided that they 'were personal to the present holder of the post' (*ibid.*; *ibid.*, CO to CAs, 24 Nov. 1909).

[2] CO 323/577/32800, Harris, 12 Oct. 1911.

[3] CO 323/564/5727, Harris, 26 March 1910.

[4] CO 323/577/3364, Green, 4 Feb. 1911.

[5] CO 323/591/9213, CAs to CO, 23 March 1912.

unable to find suitable Whitehall premises, the Agents had decided to construct a new office at Millbank, which they estimated would cost up to £260,000.[1] Moreover, an actuarial investigation they had commissioned from the Equitable Life Assurance Co. suggested that, even at its present level, the Fund would be unable, ten years hence, to cover staff pension costs in the event of closure of the Agency.[2] The CO, however, had little faith in the report's findings, which they believed were based on the fallacy that the Office would be abolished at 'one fell stroke'.[3] In reality, the Agency was likely to be wound down over a number of years, and many staff would be transferred to the regular civil service. In addition, the majority of the Agents' staff served under the 1909 Superannuation Act and would therefore have no claim whatsoever to pensions from the Fund. Nevertheless, after much consideration, the CO decided to authorize the lower charges and to allow Fund dividends, though not issue/redemption income, to be transferred to the Fund.[4]

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[1] CO 323/591/25949, note, 17 Sept. 1912.

[2] CAOG 17/26, report, May 1911.

[3] CO 323/591/9213, Just, 30 April 1912.

[4] CO 323/591/25949, CO to CAs, 27 Sept. 1912.

Conclusion

The main aim of the thesis has been to explain the activities of the CAs during the period 1880-1914 from the perspective of principal-agent theory. At first sight, the Agency appears to be have been a relic of a bygone age that owed its existence to the lethargy of the Imperial government and its reluctance to adapt to changing circumstances. In fact, the Office was an elegant, if flawed, solution to the principal-agent problems that beset colonial UK expenditure and finance. It is likely that colonial government supply of the Agents' services would have led to overexpenditure, more corruption, and the supply of poor quality and highly expensive goods/works. With the CO unable to effectively monitor their activities, the colonies would have acted in their own interests and purchased/built an excessive amount of goods/works, financed by long and short-term loans that they had little hope of repaying. Distant from Britain, they would also have been unable to control the adverse selection and moral hazard of their agents, who would have overcharged and supplied sub-standard services. Fraud both in the colonies and in the UK would have been rife. Imperial government supply of the services would have been more satisfactory. The CO would have been able to effectively control colonial expenditure/finance, and would have had greater success in restricting the adverse selection/moral hazard of UK agents. The work, however, would have been troublesome, and, more importantly, it would have allowed both Parliament and the Treasury to intervene in colonial policy making.

The CAs solved the problems of colonial and Imperial service provision. The Agency, a quasi-government department, enabled the CO to retain their autonomy. It could also monitor colonial expenditure/finance in the course of the performance of its duties, and, based in London and able to adopt practices unacceptable in a government department, more easily restrict agent opportunism. For its own part, the CO could use colonial governments to monitor the Agents' activities, and thus guard itself against CA moral hazard. The Office's use of the Agents, however, had a number of drawbacks. Neither the colonies nor the CO could effectively monitor cost, and both had a bias towards quality. Dependent on the colonies and the CO for its continued existence and wishing to maximise its receipts through its commission earnings, the Agency therefore provided a high quality, but costly service. Although both its principals were indifferent to the additional expense, the CO did become concerned about the size of its Reserve Fund, and in 1893 cut the Agencys' loan charges and authorised increases in its costs. The resultant fall in income and the reluctance of the Agents to finance losses through the Fund, prompted them to maximise their income at the expense of quality - a policy that ultimately led to the construction of high cost, uneconomic and often poorly built railways, even higher purchase prices, and the issue of high cost loans.

The problems of using the Agents were far from insoluble. A full Imperial audit of the Agency's colonial accounts would have improved CO monitoring of costs. The introduction of fixed fee remuneration would have removed the Agency's pecuniary incentive to provide expensive services, and colonial observance of the monopoly regulation could have been enforced through Agent and colonial penalties.[1] Similarly, the consequences of the mid-1890s fall in CA income, which might not even have occurred if costs had been closely monitored and fixed payments introduced, could also have been easily and cheaply mitigated by the CO. The employment of different engineering consultants for the surveying and construction of railways would have removed the CEs' incentive to underestimate costs and overestimate the expected returns of lines. While the high cost of loans could have been reduced by the CO taking a greater role in the determination of terms, perhaps through the employment of their own brokers. In the event, the CO, through the 1908 enquiry and the appointment of Sir Reginald Antrobus as Senior Agent, merely caused the Agency to readopt its pre-1898 maximisation of quality policy to which, as its income recovered, it would in any case have returned. The Agency's takeover of the work of former service providers after the enquiry only eliminated the possibility of moral hazard among such agents, and did nothing to reduce the expense of its services. Not

[1] Unauthorised purchases, for example, could have been linked to reductions in Agent annual payments or colonial budgets.

surprisingly, therefore, colonial criticism of the high cost of goods and services re-emerged in the 1920s, and continued well into the 1950s.[1]

In addition to providing an explanation of the operation of the Agency, the thesis also makes a contribution to economic and Imperial theory. It has shown that principal-agent theory, which is usually explored through mathematical models, can be applied to a real life situation. Moreover, by using the framework to explore relationships far more complex than the usual one principal/one agent association, it has enriched the theory, for example, demonstrating how principals with two or more agents can use each to monitor the other's activities.

As regards Imperial theory, the thesis reasserts the importance of the metropolis in colonial development, but fails to sustain the view that the Imperial government had an 'official mind' and acted only in the national interest.[2] It also fails to wholly support the concept of gentlemanly capitalism, in particularly the belief that the gentlemanly capitalist conviction that the country should be run for the furtherance of the City/service sector was shared by the governmental gentlemanly elite, and through them incorporated into public policy. Cain and Hopkins place much emphasis on the personal morality of the gentlemanly capitalist, who supposedly 'adhered to a code of honour which placed duty before advancement'.[3] Such probity was supposedly found in the City, government, colonial service, and also in the Crown Agents Office, which 'operated on the basis of trust of a kind that could only exist in a society where private business and public administration were linked by informal ties of school, class

[1] eg. *Empire Review*, 36 (1922), p. 305-6; *WA*, 15 July 1934, p. 1; *Crown Colonist*, 9 (1934), p. 511; *WA*, 15 July, 1939, p. 1; K. Stahl, *The Metropolitan Organisation of British Colonial Trade* (London, 1951), p. 130; *New Commonwealth*, 31 (1956), p. 332.

[2] R. Robinson, 'Non-European Foundations of European Imperialism' in R. Owen and B. Sutcliffe (eds.), *Studies in the Theory of Imperialism* (London, 1972).

[3] P.J. Cain and A.G. Hopkins, *British Imperialism: Innovation and Expansion 1688-1914* (London, 1993), p. 23.

and clubland'.[1] In fact, although gentlemanly capitalists no doubt professed to be honourable men, the evidence suggests otherwise.[2] The CAs like their fellow members of the gentlemanly elite appear to have been motivated by self interest, wishing above all to maximise their own welfare, if necessary through guile. In the event, their private vices partly incorporated public virtues. Minor corruption prevented major fraud and was thus tolerated by the CO. The self-interest of City brokers, suppliers etc, however, had no benign externalities. Far from depending on trust in their business dealings, the Agents therefore rather operated on the basis of distrust, adopting strategies implicitly designed to deter moral hazard. Consequently, their work often acted against the interests of the gentlemanly elite. Brokers, for example, were prevented from rigging loans, the proceeds of which were spent on expensive, poor quality, and unprofitable public works.

Finally, the thesis contributes to the debate on the activities of modern day aid agencies. The similarities between the Agents and organisations such as the World Bank and IMF are pronounced. Like the Agents, aid organisations allow the interests of principals to dominate those of clients, cloaking their government sponsors' essentially self-seeking motives for providing assistance in a rhetoric of benevolence.[3] The primary role of the CAs was to facilitate colonial development in order to allow the supply of cheap raw materials and expand markets; to make certain that the necessary goods and materials were obtained from the UK; and to prevent funds being wasted through colonial moral hazard. Today, aid continues to be used to develop primary production and new markets.[4] Aid organisations ensure that both bilateral and

[1] *Ibid.*, pp. 124, 125, 129.

[2] Financial and political scandals of the period are recounted in *Kynaston, The City*, vol 1 and 2; *Searle, Corruption*; G. Robb, *White Collar Crime in Modern England* (Cambridge, 1992).

[3] The CAs saw themselves as 'a vast benevolent institution run in the interests of the colonies' (CAOG 14/66, Blake to Anderson, 27 Dec. 1905). According to its former head, Robert McNamara, the World Bank seeks to 'help lift...(the)...burden of absolute poverty from the backs of a billion people' (*The McNamara Years at the World Bank* (London, 1981)).

[4] Lacking the direct control of Imperial Britain and faced with more aware populations, the West arguably additionally uses aid as a political weapon to force recipients to toe the Western line and to absolve the conscience of its electorate and so maintain political legitimacy.

multilateral assistance is spent on purchases from donor countries, and guard against recipient moral hazard through the close supervision of projects and the promotion of Western capitalist values.[1] To obfuscate the underlying motives for assistance, agencies remain semi-independent organisations and are therefore subject to weak political control. As a result, like the CAs, they are notoriously arrogant towards third world government officials, excessively secretive, and inevitably begin to act in their own self-interest, though their actions are largely compatible with the interests of their principals and thus do not constitute moral hazard.[2] The higher grade staff of the World Bank, for example, like their late nineteenth century counterparts, enjoy lavish lifestyles, partly justified by the need to attract quality employees and to increase the cost of opportunism/dismissal.[3] Similarly, whereas the Agents maximised quality, the World Bank concentrates on the quantity of loans raised, the only aspect of its service that can be effectively measured, and has been accused of 'pushing money', supporting unsound projects or schemes that could easily obtain funds in the open market.[4] The CAs of the late nineteenth and early twentieth centuries, far from being a quaint relic of an earlier age, can thus be seen as a prototype for modern day aid organisations and a grim warning of what can occur if such agencies are not kept under strict and constant political control.

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[1] More than 75% of UK bilateral aid is spent in the UK (R.S. May, D. Schumacher and M.H. Malek, *Overseas Aid* (London, 1989), p. 225). Although the World Bank procures goods through competition, the international bidding process favours large multinationals and the leading industrialised countries (C. Payer, *The World Bank* (London, 1982), pp. 20, 35-8). The Bank monitors projects through progress reports and field visits. It also presses borrowers to offer liberal tax breaks for foreign investment, insists upon production for export, refuses loans to governments that have previously repudiated international debts or nationalised foreign property, opposes minimum wage laws and trade union activity etc (*Payer, The World Bank*, p. 20).

[2] T. Hayter and C. Watson, *Aid: Rhetoric and Reality* (London, 1985), pp. 74, 75.

[3] World Bank staff earn high salaries, which are exempt from US tax, and receive numerous perks, including free health and life insurance, the payment of school fees, paid home leave, first class air travel, subsidized restaurants, access to gyms and sporting facilities, and well appointed offices (*Hayter, Aid*, pp. 74, 75; P.J. Nelson, *The World Bank and Non-Governmental Organisations* (London, 1995), p. 161).

[4] *Payer, The World Bank*, p. 27; I. Vasquez and D. Bandow (eds), *Perpetuating Poverty* (Washington, 1994), pp. 79-81. The Bank assists borrowers to identify and prepare projects, which on completion are evaluated by an 'independent' department of the Bank (*Payer, The World Bank*, p. 74).

Appendix 1: The CAs' Principals 1880-1914[1]

Antigua

Bahamas

Basutoland (1889-1914)

Bermuda

British Bechuanaland/Bechuanaland Protectorate (1887-1914)

British Central Africa/Central Africa Protectorate (1896-1914)

British Colombia (Loan management, 1880-91)

British East Africa/East Africa Protectorate (1896-1914)

British Guiana

British Honduras/Honduras

Cape (Loan management, 1880-91)

Central S. African Railway (1903-7)

Ceylon

Cyprus

Dominica

Falkland Islands

Federated Malay States/Malay States (1902-14)

Fiji

Gambia

Gibraltar

Gold Coast

Grenada

Griqualand West (1880-1)

Heligoland (1880-90)

Hong Kong

Jamaica

Jelebu (1891-7)

Kedah (1913-14)

Kelantan (1913-14)

Kings African Rifles (1903-14)

Labuan (1880-90)

Lagos

Leeward Islands Federal Government

Malta

Mauritius

Montserrat

Natal (1880-93)

Negri Sanbilan (1891-1902. Incorporated into the FMS)

Nevis

Newfoundland (1880-90, 1898-1914)

New Zealand (Loan management, 1880-91)

Niger Coast Protectorate/S. Nigeria (1896-1914)

N. Nigeria (1900-14)

Orange River Colony (1901-8)

Nyasaland (1908-14)

Pahang (1890-1901. Incorporated into the FMS)

Perak (1885-1901. Incorporated into the FMS)

St Helena

St Kitts

St Lucia

St Vincent

Selangor (1885-1901. Incorporated into the FMS)

Seychelles

Sierra Leone

Somali Coast Protectorate (1900-14)

S. African Constabulary (1902-7)

Straits Settlements

Sungei Ujong (1885-97)

Swaziland (1908-14)

Tanjong Pagar Dock Board (1907-14)

Tasmania (Loan management, 1885-6)

Tobago

Transvaal (1900-7)

Trinidad

Turks Islands

Uganda Protectorate (1896-1914)

Uganda Railway (1900-14)

Virgin Islands

Wei-hai-wei (1902-14)

West African Frontier Force (1900-14)

West Pacific High Commission (1913-4)

Western Australia (1880-91)

Zanzibar (1907-14)

Zululand (1891-7)

[1] *CO List*, 1880-1914.

Appendix 2: Crown Colony Loans Publicly Issued in London 1880-1914[1]

Year	Colony	Form	Issue type	Amount (£)	Discount (%)	Interest rate (%)	Minimum price (£)	Average price (£)	Redemption date	Amount subscribed (£)	Number of applications	Purpose
1880	Cape	D	T	1,006,500	2	4.5	97/10	98/6/11 1/2	D	3,700,900	-	P, I
	Cape	D	T	535,400	2	4.5	101/10	103/1/1 1/2	D	1,890,100	-	P
	Ceylon	D	S	700,000	2	4	N/A	98	D/P	4,718,100	73	R
	Trinidad	D	S	150,000	2.5	4	N/A	96	D/P	6,320,400	122	R,H
1881	Cape	D	T	2m	2	4	95/10	98/4/10	D	5,460,400	-	M
	Ceylon	D	T	575,000	2	4	102	103/13/8	D	2,641,000	50	R
	Fiji	D	T	150,000	None	4.5	98	99/19/8	D/P	654,200	62	P,I,F
	Jamaica	D	T	200,000	None	4	98	98/15/4	D/P	285,600	28	R
	Trinidad	D	T	100,000	None	4	100	101/15	D/P	316,400	17	R
	W.Aust.	D	T	150,000	None	4	95/10	97/-/11	D/P	475,300	46	P,R,F
1882	Jamaica	D	T	509,000	None	4	98	99/-/10	D/P	327,800 (balance sold on the day)	33	R,R/C
	Natal	D	T	700,000	3	4	94	94/4	1926	258,600 (211,200 sold at min. price)	84	R,P
	Trinidad	D	T	100,000	None	4	98	101/1	D/P	376,500	23	R
1883	Ceylon	D	T	491,000	3	4	98/10	99/15/4	D/P	1,260,600	152	H,P

[1] Form: D = Debenture, S = Stock, G = Guaranteed. Issue Type: T = Tender, S = Subscription. Redemption Date: D = Drawing SF, D/P = Drawing/purchase SF. Purpose: P = Public Works, R = Railway; H = Harbour, R/C = Redemption/conversion, M = Military operations, F = Internal finance. *SEOI*, 1880-1914; CAOG 9/2; CAOG 9/4; CAOG 9/7; CAOG 9/8; CAOG 9/10; CAOG 9/14; CAOG 9/17; CAOG 9/21; CAOG 9/29; CAOG 9/36; CAOG 9/65; CAOG 9/66; CAOG 9/71; CAOG 9/76; CAOG 9/94; CO 129/235/7249; CO 129/261/6994; CO 179/186/20549; CO 147/177/6936; CO 111/553/31194; CO 167/677/1700; CO 520/69/16505; CO 83/28/7032; CO 23/227/17817; CO 137/585/15238; CO 147/177/6936; CAA: M 60; Press advertisement book; GL: Prospectuses.

	W.Aust.	D	T	254,000	3	4	96/10	96/15/9	D/P	100,000 (154,000 withdrawn)	28	P,H,R
1884	Natal	D	T	1,132,000 (230,200 1882 re-issue)	4	5	98	100/19/6	10/40 yrs	6,059,900	1,381	R,P
	W.Aust.	D	T	154,000 (1883 re-issue)	3	4	96/10	97/5	D/P	257,500	-	P
1885	Jamaica	D	T	150,000	4	4	97/10	97/11/2	D/P	11,500 (118,200 sold at min, balance in colony)	-	R
	W.Aust	D/S	T	525,000	3	4	97/10	98/2/6	D/P	457,400 (balance sold at minimum price)	119	P
	Natal	D	T	536,500	3	5	100	101/16/8	D	1,148,300	173	R,P
	Ceylon	D/S	T	100,000	3	4	99	100/10/11	D/P	392,800	-	H,P
	Bahamas	D	T	35,000	4	4.5	98	99/10/8	D/P	74,100	-	-
1886	B.Guiana	D	T	250,000	2.5	4	97	98/2/8	D/P	248,500 (balance sold at minimum price)	-	P
1887	Hong Kong	D	T	200,000	3	4	98	100/14/9	1892/1907	737,400	-	P
	St Lucia	D	T	79,700	2	4.5	99	105/1/1	D/P	324,000	63	H,P
	Mauritius	D/S	T	102,900	3	4	100	100/9/2	D/P	-	-	R
1888	Natal	S	T	500,000	3.5	4	101	103/5/7	D/P	1,520,200	93	H,R,P
	Mauritius	S	T	209,800	3	4	101	107/15/3	D/P	1,285,500	100	P,R/C
1889	Natal	S	T	500,000	2.5	3.5	99	100/12	1914/39	1,048,500	111	R,P
	W.Aust.	S	T	100,000	2.5	4	107/10	108/15/3	1934	136,900	21	P
1890	Ceylon	S	T	450,000	3	3	93	93/2/10	1940	£300,500 (balance sold privately)	-	R
1891	Natal	S	T	2,110,000	3	3.5	95/10	95/15/7	1914/39	2,466,800	376	R,P
1892	Trinidad	S	T	100,000	3	4	101	102/3/9	1917/42	193,500	64	P

	Grenada	S	T	64,500	2	4	100	101/8/2	1917/42	79,200	-	P,R/C
	Jamaica	S	T	180,000	2	4	103	103/10/10	1934	375,700	93	P
1893	Natal	S	T	890,000	3	3.5	94	95/5/5	1914/39	1,963,400	336	R,P
	Mauritius	S (G)	T	600,000	2	3	101	105/7/10	1948	5,197,400	138	-
	Hong Kong	S	T	200,000	2	3.5	98	100/12/7	1918/43	625,500	-	P
1894	St Lucia	S	T	48,600	2	4	100	102/13/9	1919/44	79,500	43	P,I
	Antigua	S	T	100,000	2	4	102	103/14/10	1919/44	279,700	-	H,P
	Ceylon	S	T	500,000	2	3	94/10	96/5/8	1940	1,472,300	133	H,R,P
	Ceylon	S	T	500,000	1	3	98/10	100/19/2	1940	3,739,000	180	H,R,P
1895	Barbados	S	T	375,000	1	3.5	99	102/7/1	1925/42	1,565,300	193	F,P
1896	B.Guiana	D	T	150,000	1	3	97	101/5/4	1906	1,117,400	-	I
1897	Jamaica	S	T	200,000	1	3	97/10	100/1/6	1922/44	607,900	73	-
	Trinidad	S	T	400,000	1	3	97/10	98/-/6	1922/44	562,900	34	R,P
1898	B.Guiana	S	T	150,000	1	3	96/10	96/16/4	1923/45	145,230	25	P
1901	B.Guiana	S	T	100,000	2	3	93	93	1923/45	26,700	18	P
	Zanzibar	D (G)	T	100,000	0	3	100	100	1916/31	107,300	-	-
1902	Ceylon	S	S	1.4m	2.5	3	N/A	94/10	1940	-	-	R,P
	Trinidad	S	T	200,000	2	3	93/10	93/10/10	1922/44	404,600	57	R,P
	Gold Cst	S	S	1,035,000	3	3	N/A	91	1927/52	38,300	31	R
1904	Sierra Leone	10 yr debs conv. to 3.5% stock	S	1,250,000	3	4	N/A	98	1929/54 (3.5% stock)	2,611,000	-	R
1905	Lagos	S	S	2m	3	3.5	N/A	97	1930/55	708,000	-	R,P,F
	Mauritius	S	T	150,000	3	3.5	97	97/-/3	1930/55	57,000	29	R,P

1906	Hong Kong	S	T	1.1 m	3	3.5	99	99/1	1918/43	353,100	-	F
	B.Guiana	D	T	70,000	3	4	100	100/16/11	1916	297,100	-	I
1907	Straits	5 yr debs conv. to 3.5% stock	S	5m	3.5	4	N/A	99	1937/67 (3.5% stock)	753,600	673	P,R/C
1908	S.Nigeria	4 yr debs conv. to 3.5% stock	T	3m	2	3.5	99	99	1930/55 (3.5% stock)	385,600	-	H,R
1909	Gold Coast	4 yr debs conv. to 3.5% stock	S	1m	1	3.5	N/A	99	1934/59 (3.5% stock)	4,330,000	-	H,R
	Ceylon	S	S	1.5m	3	3.5	N/A	98/10	1934/59	150,000	-	R,H,P
1910	Straits	S	S	2.75m	3.5	3.5	N/A	95/10	1937/67	175,500	-	H,P
1911	S.Nigeria	5 yr debs conv. to 3.5% stock	S	5m	3.5	4	N/A	99/10	1930/55 (3.5% stock)	2,528,100	-	H,R,P,R/C
1913	Srra Leone	S	S	1m	4	4	N/A	97	1938/63	31,000	-	H,R,R/C
1914	Trinidad	S	S	550,000	2.5	4		99	1917/42	-	-	H,P
	Ceylon	S	S	1m	2.5	4		99	1939/59	8,693,500	-	H,R,P
	Gold Cst	S	S	1,035,000	2.5	4		98/10	1939/59	152,400	-	H,R,P

Appendix 3: Purchasers of those Loans with Surviving Allotment Schedules[1]

Year	Colony	Loan (£)	Lowest accepted price	Largest purchase/ purchaser	Price paid	2nd largest purchase/ purchaser	Price paid	3rd largest purchase/ purchaser	Price paid
1881	Fiji	150,000	99/10/6	60,600 (40%) (Sheppards Pelly)	34% at 99/10/6	50,000 (33%) (L. Pounder)	99/17/6 to 100/2/6	25,000 (17%) (Linton Clarke)	99/15/6
1881	W. Aust.	150,000	96/17/6	67,400 (45%) (Sheppards Pelly)	88% at 96/17/6	50,000 (33%) (Kerr & Homan)	97/1	26,000(17%) (Scrimgeours)	25,000 at 97 1,000 at 97/1
1882	Natal	469,800	94	60,000 (13%) (Sheppards Pelly)	94/3	50,000 (11%) (Bank of British South Africa)	94 to 94/5	50,000 (11%) (Westgarths)	94
1883	Ceylon	491,000	99/13	180,000 (37%) (Scrimgeours)	99/13	139,700 (28%) (Westgarths)	99/13	40,000 (8%) (Clayton & Ashton)	100/-/6 to 100/15/6
1884	Natal	1.132m	100/16	159,900 (14%) (Brunton Bourke)	94% at 100/16	131,000 (12%) (Scrimgeours)	100/16	80,000 (7%) (Sutton Millar)	various
1885	W.Aust.	525,000	97/10	250,500 (48%) (Scrimgeours)	23% at 97/10	80,000 (15%) (Sheppards Pelly)	12% at 97/10	49,000 (9%) (Mullens Marshall)	various
1885	Jamaica	150,000	97/10	62,700 (48%) (Scrimgeours)	97/10	58,500 (45%) (Westgarths)	97/10	1,200 (1%) (James Ross)	98/3/3 to 99/1/6
1885	Natal	536,500	101	81,000 (15%) (Neville)	101/15/6 to 102/12/6	60,000 (11%) (Cazenove & Akroyd)	92% at 101/17/6	55,000 (10%) (Sheppards & Pelly)	101/13/6 to 102/3/6
1887	St Lucia	79,700	104/19/6	40,000 (50%) (Brunton Bourke)	105/1/6 & 105/2/6	20,000 (25%) (Blockey Bright)	105/1/6	19,700 (25%) (W.H. Gramshaw)	104/19/6
1888	Mauritius	209,800	100/7/6	136,600 (65%) (Brunton Bourke)	107/7/6	42,000 (20%) (CAs)	109/2/6	30,000 (14%) (Ellis & Co.)	107/12/6

[1] WASA: ACC 527/1326; ACC 527/2834; Sri Lanka Department of National Archives: 6/6649; NAN: NT/164/1824/1884; NT 164/3944/1889; NT 164/5529/1893; CAOG 9/4, schedule, 17 April 1894; *ibid.*, schedule, 23 Nov. 1894; CAOG 9/7, schedule, 29 Jan. 1885; CAOG 9/8, schedule, 30 Sept. 1892; CAOG 9/9, schedule; CAOG 9/10, schedule; CAOG 9/11, schedule, 11 Aug. 1885; CAOG 9/12, schedule, 1 March 1888; CAOG 9/14, schedule; CAOG 9/17, schedule, 23 May 1887; CAOG 9/18, schedule, 7 April 1892; CAOG 9/21, schedule; CAOG 9/25, schedule; CAOG 9/54, schedule, 13 March 1894; CAOG 9/66, schedule; CAOG 9/70, schedule, 1 Aug. 1901; CAOG 9/71, schedule, 28 Jan. 1898; CAOG 9/77, schedule, 21 Dec. 1905; CAOG 9/86, schedule; CO 83/28/7032, schedule; CO 137/585/15238, schedule, 2 July 1897; CO 321/156/4028, schedule, Feb. 1894.

1888	Natal	500,000	103/5/6	246,600 (49%) (Scrimgeours)	103/5/6	246,600 (49%) (Westgarths)	103/5/6	4,900 (1%) (Hecht & Behrins)	103/5/6
1889	W. Aust.	100,000	108/11/6	83,000 (83%) (Scrimgeours)	108/11/6	5,000 (5%) (E.A. Maynard)	110	5,000 (5%) (L.M. Maynard)	110
1889	Natal	500,000	100/9	229,400 (46%) (Scrimgeours)	100/9	160,000 (32%) (Ellis & Co.)	62% at 100/12/6 & 48% at 100/13	50,000 (10%) (Charles Raphael & Kahn)	101/1/1 to 100/10
1891	Natal	2.11m	95/11	368,600 (17%) (Ellis & Co.)	95/13 to 96/10	202,600 (10%) (Neville)	95/11/6 to 95/19	189,600 (9%) (Sandeman Clark)	95/11 to 95/15/6
1892	Trinidad	100,000	102/3/6	97,900 (98%) (Scrimgeours)	102/3/6	1,000 (1%) (L. Smith)	103	600 (0.5%) (S. Bonus)	103
1892	Jamaica	180,000	103/6	97,300 (54%) (Scrimgeours)	103/6	18,600 (10%) (Ellis & Co.)	103/6	17,700 (10%) (Aubrey Brown & Hopkinson)	103/11/6 to 108
1893	Natal	890,000	95/2	163,000 (18%) (Ellis & Co.)	95/7/6	100,000 (11%) (Brunton Bourke)	95/2/6	80,600 (9%) (Scrimgeours)	63% at 95/2
1894	Antigua	100,000	103/10	68,900 (69%) (Steer Lawford)	60% at 103/10	(Scrimgeours) 14,000 (14%) (Aubrey Brown & Hopkinson)	103/12 to 105/10	10,000 (10%) (H. Vigne & Sons)	104/10/6 & 104/5/6
1894	Ceylon	500,000	96/5/6	172,200 (34%) (Scrimgeours)	96% at 96/5/6	120,000 (24%) (Pember Boyle)	96/5/6	96,700 (19%) (Linton Clarke)	96/5/6
1894	Ceylon	500,000	100/16	125,000 (25%) (Mullens Marshall)	100/17/6	109,800 (22%) (Brunton Bourke)	54% at 100/16	44,900 (9%) (Scrimgeours)	100/16
1894	St Lucia	48,600	102/4	33,100 (68%) (Scrimgeours)	102/4	12,100 (25%) (Aubrey Brown & Hopkinson)	103/1/6 to 105/1/6	800 (2%) (Vivian Gray & Co.)	102/15
1897	Jamaica	200,000	99/15/6	62,200 (31%) (Scrimgeours)	99/15/6	25,000 (12%) (Stewart & Whitmore)	99/19/6 & 99/19	24,900 (12%) (Linton Clarke)	99/15/6
1897	Trinidad	400,000	97/16	228,300 (57%) (Scrimgeours)	97/16	65,300 (16%) (R. Nivison & Co.)	97/16	25,000 (6%) (Hichens Harrison)	98 & 98/5/6
1898	B.Guiana	150,000	96/13	113,400 (76%) (Scrimgeours)	96/13	20,000 (13%) (Birbeck Bank)	97/1 to 98/1	12,000 (8%) (Mullens Marshall)	97
1901	B.Guiana	100,000	93	73,300 (73%) (CAs)	93	24,000 (24%) (Scrimgeours)	93	2,000 (2%) (Neville)	93/3/6 to 93/5/6

316

1902	Trinidad	200,000	93/10/6	80,400 (40%) (CAs)	93/10/6	52,900 (26%) (Scrimgeours)	93/10/6	25,000 (12%) (Lon. & SW Bank)	93/12/6 & 93/13
1902	Gold Coast	1.035m	91	418,800 (40%) (Mullens Marshall)	91	392,900 (38%) (Scrimgeours)	91	160,000 (15%) (CAs)	91
1905	Mauritius	150,000	97	138,200 (92%) (Scrimgeours)	75% at 97	5,000 (3%) (Scottish Provident)	97	3,000 (2%) (Francis & Praed)	97/1
1906	H. Kong	1.1m	99	965,300 (88%) (Scrimgeours)	81% at 99	30,000 (3%) (Prudential)	99/3/6 to 99/6	25,000 (2%) (National d'Escompte de Paris)	100

Appendix 4: Private Issues 1880-1914[1]

Year	Colony	Form of loan	Amount (£)	Interest rate (%)	Average price (£)	Redemption date
1880	Montserrat	D	3,000	5	100	D
1881	Mauritius	D	4,200	4	-	-
1885	Jamaica	D	70,400	4	-	-
	St Lucia	D	3,000	5	100	D
1886	St Kitts	D	8,000	4.5	100	1929
1887	Natal	S	16,785	4 (April/Oct)	-	1927
1888	Jamaica	D	3,000	4	-	-
	British Honduras	D	9,000	4.5	101.25	1918
	Jamaica	D	15,800	4	102	P/D
	St Lucia	D	17,300	4.5	105	-
	Grenada	D	25,000	4.5	100.5	1918
	Mauritius	S	2,913	4	-	1937
1889	Grenada	D	15,000	4.5	100.5	1918
1890	Dominica	D	20,000	4.25	101	1920/37
	Dominica	D	10,000	4.25	101	1920/37
1891	Ceylon	S	6,264	3	94.5	1940
	Ceylon	S	10,557	3	94.5	1940
	Ceylon	S	4,194	3	94.5	1940
	Ceylon	S	6,915	3	93	1940
	Ceylon	S	212	3	93.12	1940
	Ceylon	S	4,063	3	93.12	1940
	Ceylon	S	4,636	3	93.12	1940
1892	St Lucia	D	8,000	4.25	-	1897
	Ceylon	S	4,691	3	93	1940
	Ceylon	S	1,542	3	93.25	1940
	Ceylon	S	4,103	3	93	1940
	Ceylon	S	30,375	3	93	1940
	Ceylon	S	596	3	91.5	1940
	Ceylon	S	71,346	3	91.75	1940
	St Kitts	D	13,000	4.5	100	1939

[1] Form: D = Debenture, S = Stock. Redemption Date: D = Drawing SF, D/P = Drawing/purchase SF. As there is no list of Crown colony private issues, the table was compiled from a wide range of correspondence to be found in CAOG 9/4, CAs to Ceylon, 4 Sept. 1891; CAOG 9/5, CAs to CO, 8 Oct. 1890; CAOG 9/6, CAs to Scrimgeours, 28 July 1887; *ibid.*, CAs to Scrimgeours, 30 July 1889; CAOG 9/7, CAs to Col. Sec., 18 May 1887; CAOG 9/8, Jamaica to CAs, 14 Feb. 1888; CAOG 9/9, Statement, March 1888; CAOG 9/10, CAs to CO, 21 July 1883; CAOG 9/48, Conversion account; *ibid.*, CAs to Scrimgeours, 5 Sept 1894; CAOG 9/49; CAOG 9/50, CAs to Col. Sec., 12 Dec. 1894; CAOG 9/55, Scrimgeours to CAs, 5 Feb. 1892; CAOG 9/56, CAs to Metcalfe, 20 April 1915; CAOG 9/57, CAs to Scrimgeours, 12 July 1894; CAOG 9/61, CAs to Col. Sec., 11 Sept. 1889; CAOG 9/62, CAs to Scrimgeours, 15 Feb. 1895; CAOG 9/64, CAs to Scrimgeours, 13 Feb. 1896; CAOG 9/65, CAs to Scrimgeours, 7 July 1888; CAOG 68; CAOG 9/86; CAOG 9/100; CO 323/406/25193; CO 167/598/12385; CO 137/524/9041; CO 152/166/13380; CO 321/162/10773; CO 321/168/20721; CO 321/168/3754; CO 321/168/4311; CO 23/245/15089; CO 321/175/8440; CO 321/175/17754; CO 152/226/3089; CO 152/226/3807; CO 152/226/17741; CO 167/764/11471; CO 520/97/32994; *SEOI*, 1882-1911.

	St Kitts	D	10,500	4.5	100	1939
1893	British Honduras	D	15,000	4.5	101.5	1923
1894	Jamaica	S	3,913	4	-	1934
	Natal	S	62,849	3.5	104.5	1914/39
	Natal	S	25,000	3.5	104	1914/39
	Montserrat	S	10,000	4.25	100	1919/44
	St Kitts	S	23,000	4	100	1919/44
	British Honduras	D	5,000	4.5	104.25	1923
	Bahamas	D	10,000	4	103.5	1924
	Bahamas	D	5,000	4	103.5	1924
	Hong Kong	S	1,800	3.5	103.87	1918/43
	W. Australia	S	2,732	4	-	1934
1895	Natal	S	13,612	3.5	-	-
	Dominica	S	30,000	4	103	1920/42
	Grenada	S	21,000	4	110	1917/42
	St Lucia	D	8,000	3.5	100	1900
	St Kitts	S	8,850	4	107-110	1919/44
1896	Bahamas	D	6,000	3	100.5	1902/6
	Grenada	S	14,680	4	111.5	1917/42
	St Lucia	S	19,000	4	111.5	1919/44
1897	Trinidad	S	1,000	4	115	1917/42
	Trinidad	S	1,000	4	115	1917/42
	Trinidad	S	1,397	4	115	1917/42
	St Vincent	D	4,000	3.5	100	1907
	St Vincent	D	1,000	3.5	100	1907
	St Kitts	D	15,000	3.5	100.25	-
	Antigua	D	13,000	3.5	100	1899
	Montserrat	D	7,000	3.5	100	1899
	Natal	S	16,200	4 (April/Oct)	-	1937
1903-5	Gold Coast	S	63,000	3	-	1927/52
1909	Mauritius	D	101,200	4	99.87	1904
	Mauritius	D	98,800	4	100	1905
1910	S.Nigeria	4 yr D conv. to 3.5% stock	99,232	3.5	99	1930/55 (stock)
1911	British Honduras	10 yr D conv. to 4% stock	160.000	4	99.5	1941/71 (stock)

Appendix 5: CA Conversions 1880-1914[1]

Colony/Loan	Amount to be converted (£)	Redemp. date	Conversion Rate (%)	Interest Rate of New stock (%)	Amount converted (£)	Period of Conversion
Mauritius 6% debs. 19 of 1862	200.000	1882	108	4 (debs)	33.400	15/3/80-31/12/80
Mauritius 6% debs. 15 of 1864	300.000	1895	118	4 (debs)	102.000	15/3/80-31/12/80
Mauritius 6% debs. 15 of 1864	100.000	1896	118	4 (debs)	37.600	15/3/80-31/12/80
Mauritius 6% debs. 19 of 1862	166.600	1882	104 (4 in cash)	4 (debs)	36.500	17/1/81-11/7/81
Mauritius 6% debs. 15 of 1864	198.000	1895	116 (16 in cash)	4 (debs)	6.100	17/1/81-11/7/81
Mauritius 6% debs. 15 of 1864	166.600	1896	116 (16 in cash)	4 (debs)		17/1/81-11/7/81
Natal 4% debs. 35 of 1880	469.800	1927	100	4 (May Nov)	231.800 (1887)	22/2/83-No closing date
Natal 5% debs. 35 of 1880	1.130.200	1894/1924	115	4	987.000 (1887)	15/5/84-15/6/86
Ceylon 4% debs. 3 & 4 of 1885	99.000	D	100	4	89.900	27/6/85-1/1/87
Ceylon 4% debs. 7 of 1879	291.000	D	100	4	267.300	27/6/85-1/1/87
Ceylon 4% debs. 1 of 1876 & 1 of 1881	200.000	D	100	4		27/6/85-1/1/87
Ceylon 4% debs. 9 of 1878	1m	D	100	4	344.800	27/6/85-1/1/87
Ceylon 4% debs. 8 & 12 of 4% debs	275.000	D	100	4		27/6/85-1/1/87
W.Aust. 4% debs. 26 of 1884	525.000	D	100	4	400,700	27/6/85-- 1/1/87
W.Aust. 4% debs, 22 of 44 Vict. of 1881	150.000	D	100	4	46,700	27/6/85-1/1/87
W.Aust. 4% debs. (46 Vict.) 22 of 1882	254.000	D	100	4	45,600	27/6/85-1/1/87
Jamaica 4% debs. 17 of 1882	130.000	D	100	4		27/6/85-1/1/87
Jamaica 4% debs. 8 & 17 of 1880	400.000	D	100	4	158.800	27/6/85-1/1/87
Jamaica 4% debs. 19 of 1880	309.000	D	100	4		27/6/85-1/1/87
Natal 5% debs. 44 of 1884	536.500	1895/1925	115	4	465.200	7/8/85-15/6/86
Brit. Guiana 4% debs. 4 of 1886	250.000	D	100	4	194,500	15/11/86-14/5/91
Natal 6% debs. 8 of 1860	42,400	1887	102/5	4 (April/Oct)	26,900	16/4/87-31/10/87
Natal 6% debs. 15 of 1864	68.600	1896	120	4 (April/Oct)	33,400	16/4/87-31/10/87
Natal 5% debs. 16 of 1871	166.100	1909	117	4 (April/Oct)	87,900	16/4/87-31/10/87

[1] Redemption Date: D = Drawing Sinking Fund. The table was compiled from a wide range of adverts, correspondence, memos and schedules to be found in CAOG 9/2; CAOG 9/3; CAOG 9/7; CAOG 9/9; CAOG 9/10; CAOG 9/13; CAOG 9/20; CAOG 9/21; CAOG 9/32; CAOG 9/48; CAOG 9/50; CAOG 9/65; CAOG 9/68; CAOG 9/70; CAOG 9/73; CAOG 9/74; CAOG 9/76; CAOG 9/100; CO 167/598/814; CO 137/507/12161; CO 321/144/10204; CO 179/173/3190; *SEOI*, 1880-1914; CAA: Press advertisement book; GL: Prospectuses.

Natal 5% debs. 35 of 1880	333.200	1894/1924	111	4 (April/Oct)	152.400	16/4/87-31/10/87
Natal 5% debs. 44 of 1884	71.300	1895/1925	111	4 (April/Oct)	40.200	16/4/87-31/10/87
Natal 4.5% debs. 5 of 1875	1.2m	1919	106	4 (April/Oct)	503,500	16/4/87-31/10/87
Natal 4.5% debs. 1 of 1876	50.000	1919	106	4 (April/Oct)	11.400	16/4/87-31/10/87
Natal 4.5% debs. 19 of 1876	50.000	1919	106	4 (April/Oct)	26.400	16/4/87-31/10/87
Natal 4% debs. 35 of 1880	238.000	1926	101	4 (April/Oct)	117.500	16/4/87-31/10/87
Natal 4% stock (May/Nov). 35 of 1880 & 44 of 1884	1.688.530	1927	100	4 (April/Oct)	1.432.948	16/4/87-31/10/87
Mauritius 4% debs. 2 of 1887	102.900	D	100	4	99.200	7/87-1/2/88
Ceylon 4% debs. 7 of 1879	266.809	D	100	4	16.700	Adhoc
Ceylon 4% debs. 1 of 1876 & 1 of 1881		D	100	4	18.700	Adhoc
Ceylon 4% debs. 9 of 1878	903.500	D	100	4	201.100	Adhoc
Ceylon 4% debs. 8 & 12 of 1877		D	100	4	137.600	Adhoc
Mauritius 6% debs. 15 of 1864	180,500	1895	112	4	79.900	14/3/88-30/6/88
Mauritius 6% debs. 15 of 1864	60.400	1896	112	4		14/3/88-30/6/88
Mauritius 4.5% debs. 10 of 1876	93.400	D	103	4	33.300	14/3/88-30/6/88
Mauritius 4% debs. 10 of 1879	295.400	D	100	4	217.900	14/3/88-30/6/88
Mauritius 4% debs. 2 of 1887	3.800	D	100	4	100	14/3/88-30/6/88
W.Aust. 6% debs. 3 of 36 Vict.	35.000	1901	113	4	nk	19/2/89-19/11/94
W.Aust. 5% debs. 19 of 37 Vict.	100.000	1902	106	4	42,900	19/2/89-19/11/94
W.Aust. 5% debs. 21 of 39 Vict.	26.000	1905	108	4		19/2/89-19/11/94
W.Aust. 4.5% debs. 22 of 1878 & 32 of 1879	191.500	D	103	4	89.400	19/2/89-19/11/94
W.Aust. 4% debs. 26 of 1884	124.300	D	100	4	65.100	19/2/89-19/11/94
W.Aust. 4% debs. 22 of 44 Vict. of 1881	103.300	D	98.5	4	48.800	19/2/89-19/11/94
W.Aust. 4% debs. (46 Vict.) 22 of 1882	208.400	D	98.5	4	103.500	19/2/89-19/11/94
Jamaica 4.5% debs. 12 of 1879	134.100	D	104	4	121.800	19/2/89-5/11/94
Jamaica 4% debs. 8 & 7 of 1880	170.000	D	99	4	87.800	19/2/89-5/11/94
Jamaica 4% debs. 19 of 1880	216.400	D	99	4	146.700	19/2/89-5/11/94
Jamaica 4% debs. 17 of 1884	18,400	D	99	4	9.900	19/2/89-5/11/94
Grenada 4.5% debs. 1888/9	40.000	D	103	4	23,390 (1909)	Ad hoc
Hong Kong 4% debs. 11 of 1887	140.000	1892/1907	100	3.5	140.000	2/94-30/4/94

Natal 5% debs, 35 of 1880	180,800	1894/1924	98.5	3.5	89,500	8/94-15/10/94
Natal 5% debs, 44 of 1884	31,000	1895/1925	97.5	3.5	14,400	11/94-15/12/94
St Lucia 4.5% debs, Public Works of 1888	17,300	1933	102.25	4	17,300	1894
W.Aust. 4.5% debs, 22 of 1878 & 32 of 1879	91,000	D	Terms set by CAs	4	2,800	19/11/94-No closing date
W.Aust. 4% debs, 26 of 1884	55,900	D	100	4	27,800 (30/11/14)	19/11/94-No closing date
W.Aust. 4% debs, 22 of 1878 & 32 of 1879	91,600	D	Terms set by CAs	4	17,300 (30/11/14)	19/11/94-No closing date
Trinidad 5% debs, 7 & 15 of 1873	81,380	D	95	4	29,300	13/8/96-31/10/96
Trinidad 5% debs, 1 of 1878	77,500	D	97	4	49,700	13/8/96-31/10/96
Trinidad 4% debs, 8 of 1880	206,500	D	91	4	183,700	13/8/96-31/10/96
Trinidad 4% debs, 1 of 1882	83,500	D	91	4	83,500	13/8/96-31/10/96
Jamaica 4% railway bonds	1,493,600	D	100	3.5	1,493,600	1899/1900
Sierra Leone 4% 10 yr conv. debs	1,250,000	1914	100-5	3.5	739,600 (30/11/14)	3/6/4-1/6/14
Straits 4% 5 yr conv. debs, 1 of 1882	5m	1912	101-5	3.5	3,969,900	25/5/7-15/2/12
S.Nigeria 4% 4 yr conv. debs, 7 of 1908	3m	1912	101-4	3.5	1,090,200	2/5/8-15/8/11
Gold Coast 3.5% 4 yr conv. debs, 4 of 1908	1m	1913	101-3	3.5	1,000,000	26/5/9-1/10/12
British Honduras, 4% 10 yr conv. debs.	160,000	1921	100	4	116,900 (30/11/14)	1911-21
Jamaica 4% railway bonds	38,100	D	100	3.5	38,100	1912
S.Nigeria 4% 5 yr conv. debs, 22 of 1904 & 12 of 1911	5m	1916	103-104.5	3.5	777,200 (30/11/14)	10/11/11-15/8/15

Appendix 6: B of E New Advances 1880-1914[1]

Year	Colony	Amount advanced (£)	Interest rate (%)
1883	Ceylon	140,000	BR
1885	Ceylon	70,000	BR
1886	-	26,500	BR
1887	Mauritius	67,000	BR
	-	8,500	BR
1889	Dominica/St Lucia	25,660	BR
1890	Ceylon	100,000	BR
1892	Trinidad	50,000	BR, minimum 3%
1899	Zanzibar	83,000	1% under BR, minimum 3%
	Barbados	7,000	1% under BR, minimum 3%
	St Vincent	5,000	1% under BR, minimum 3%
1900	Ceylon	155,000	BR, minimum 3%

[1] BR = Bank rate. BE: C 58/2/101; C 58/3/605; C 58/4/391; C 58/6/89; C 58/6/328; C 58/8/103; C 58/12/396.

1901	Zanzibar	13,000	BR, minimum 3%
	Ceylon	790,000	BR & BR. minimum 3%
1902	Uganda railway	242.000	BR
1903	Mauritius	208,000	BR
	Trinidad	125,000	BR
	Transvaal	2,515,000	BR & BR minus 1/2%
1914	E. Africa Protectorate	150,000	BR
	FMS	350,000	BR

Appendix 7: LW New Advances 1880-1902[1]

Year	Colony	Amount advanced (£)
1880	Cape	350,000
	Natal	50,000
1881	-	100,000
	Cape	1,285,000 - 1,385,000
	Isle of Man	15,000
1882	Cape	500,000
1890	-	415,000
1892	British Honduras	11,000
1893	Antigua	35,000
	British Honduras	6,000
1898	British Guiana	48,500
	FMS	500,000
	Gold Coast	35,000
	Lagos	119,500
	Trinidad	30,000
1899	British Guiana	25,000
	Gold Coast	40,000
	FMS	101,000
	Jamaica	20,000
	Lagos	165,000
	Sierra Leone	73,000
	Trinidad	45,000
1900	FMS	35,000
	Gold Coast	20,000
	Jamaica	20,000
	Lagos	50,000

[1] CAOG 9/49; CAOG 9/54; NW: 12909, 12911-3. The list is incomplete.

	Sierra Leone	70,000
1902	-	100,000

Appendix 8: Treasury Loans 1899-1914[1]

Year	Colony	Purpose	Amount (£)	Interest rate (%)
1899	Barbados	Hurricane relief	11,649	2.75
1900	Cyprus	Harbour, railway & irrigation	51,000	3
	Jamaica	Public works	85,000	3.5
	Jamaica	Revenue	20,000	2.75
	Jamaica	Railway	44,000	2.75
	Jamaica	Railway deb. interest	88,000	2.75
	Lagos	Railway	792,500	3.25
	St Vincent	Hurricane relief	16,077	2.75
	Seychelles	Road construction	20,000	2.75
1901	Cyprus	Harbour, railway & irrigation	9,000	3
	Jamaica	Railway	22,000	2.75
1902	Cyprus	Harbour, railway & irrigation	2,500	3.25
	Jamaica	Railway	44,000	2.75
1903	Cyprus	Harbour, railway & irrigation	18,500	3
1904	Cyprus	Harbour, railway & irrigation	59,000	3.25
1905	Cyprus	Harbour, railway & irrigation	134,000	3.25
1906	Cyprus	Harbour, railway & irrigation	58,500	3.25

[1] ***PP 1902,*** lv (143), p. 258; *PP 1917-8*, xix (17), p. 232.

Appendix 9: West African Railway Construction 1898-1914[1]

Railway	Length (miles)	Gauge	Gradient/curves/ rail weight	Cost per mile (£)	Date completed	Miles constructed per month	Under/Overestimate (%)	Method of construction
S. Nigeria								
Lagos-Ibadan	125	3' 6"	1 in 50; 10 chains 55 lb per yrd	9,967	3/1901	2.049	+ 78	Dept.
Ibadan-Oshogbo	62	3' 6"	1 in 60 in, 1 in 80 out; 8 chains	6,905	4/1907	2.3	+ 9	Dept.
Oshogbo-Illorin	61	3' 6"	1 in 80; 15 chains	7,883	8/1908	3.05	+ 36	Dept.
Illorin-Jebba	60	3' 6"	n/k	8,587	1910	3	n/k	Dept.
Jebba-Minna	160	3' 6"	1 in 80 in, 1 in 100 out	8,693	1912	6.7	+ 65	Dept.
Average cost per mile £8,407								
Sierra Leone								
Freetown-Songotown	32	2' 6"	1 in 60; 5 chains; 30 lb per yrd	6,061	12/1898	0.97	+ 45	Dept.
Songotown-Rotifunk	23	2' 6"	1 in 50; 30 lb per yrd	4,224	3/1900	2.55	- 17	Dept.

[1] 1 chain = 66'. The cost per mile figures given in *PPP* are inaccurate, and have therefore, where possible, not been used. Lagos-Ibadan: CO 520/51/25175; CO 147/152/4983; CO 766/1; CO 520/51/18323; CO 446/47/12976; *Shelford, Some Features*, p. 5. Cost includes the Carter/Denton bridges; Ibadan-Oshogbo: CO 520/109/1087; CO 520/70/41397, Shelford to CO, 26 Nov. 1908; Oshogbo-Illorin: CO 520/109/1087; Illorin-Jebba: CO 766/1, CO evidence; Estimate only available; Jebba-Minna: *Hansard*, 5th series, 1923, clxv. 1464/5; CO 520/51/25175; Freetown-Songotown: *PPP*; CO 267/422/14724; CO 267/420/18005; Songotown-Rotifunk: *PPP*; CO 267/434/26730; CO 267/470/13753; Rotifunk-Bo: *PPP*; CO 267/464/52678; CO 267/470/13753; Mountain railway: CO 267/474/23391; *Shelford, Some Features*, p. 3; Sekondi-Tarkwa: CO 96/434/17000; *PPP*; Tarkwa-Kumassi: CO 96/412/39660; *PPP*; Tarkwa-Broomassie: CO 96/512/18603; Accra-Akwapim: CO 96/524/14210; CO 96/461/31830; Baro-Kano: CO 446/107/10210; Bauchi line: *Hansard*, 5th series, 1912, xliv. 2276; CO 766/1, CO evidence; Shire River: FO 2/693, Schneider to Henderson, 8 [illegible] 1902; CO 7[illegible]/1, CO evidence. The company claimed that the line cost £7,500 (*ibid*).

Rotifunk to Bo	80	2' 6"	1 in 50; 30 lb per yrd	3.988	10/1902	3.5	+ 23	Dept.
Bo-Baiima	87	2' 6"	1 in 50	3,604	1905	n/k	+ 0.4	Dept.
Mountain Railway	5.75	2' 6"	1 in 22	5,604	1904	0.38	+ 4	Dept.
Average cost per mile £4,696								
Gold Coast								
Sekondi-Tarkwa	40	3' 6"	1 in 40; 5 chains; 50lb per yrd	9,162	5/1901	1.2	+ 53	Dept.
Tarkwa-Kumassi	130	3' 6"	as above	10,669	9/1903	4.8	+ 89	Dept.
Tarkwa-Broomassie	26.5	3' 6"	n/k	6,101	1910	1.104	+ 20	Dept.
Accra-Akwapim	36	3' 6"	1 in 80; 45 lb per yrd	9,856	1912	1.08	+ 47	Contractor
Average cost per mile £8,947								
N. Nigeria								
Baro-Kano	355	3' 6"	1 in 60	3,915	3/1911	8.07	+ 8	PWD
Bauchi line	90	2' 6" (3' 6" formation)	n/k	2,000	3/1912	6.43	0	PWD
Average cost per mile £2,957								
Nyasaland								
Shire River line	113	3' 6"	1 in 44; 5.5 chains; 41 lb per yrd	5,854	1908	n/k	n/k	Private

Appendix 10: French and German West African Lines[1]

Railway	Mileage (miles)	Gauge	Cost per mile (£)
French West Africa			
Ivory Coast	281	1 metre	6,417
Lome-Palime	63	1 metre	6,190
Cotonou-Save	162	1 metre	5,185
Konakry-Niger	93	1 metre	5,120-5,696
St Louis-Dakar	164	1 metre	5,120
Thies-Kayes	423	1 metre	4,624
Kayes-Niger	350	1 metre	4,224-4,800
Central Dahomey	204	1 metre	4,117
Lome-Atakpame	104	1 metre	3,456-5,309
Porto Novo-Pobe	47	1 metre	3,357
Lome-Anecho	27	0.75 metre	2,015
Average cost per mile £4,529-4,803			
German West Africa			
Swakopmund-Windhoek	n/k	1' 10.5"	3,114
Otavi RR	n/k	1' 10.5"	2,010
Average cost per mile £2,562			

Appendix 11: Cost of Other Colonial Lines 1912/5[2]

Colony	Mileage	Cost per mile (£)	Gauge	Method of Construction
Hong Kong	21.5	25,581 (includes cost of tunnelling)	4' 8.5"	Dept.
Mauritius	120	15,650	4' 8.5"	Dept.
Jamaica	184	13,804	4' 8.5"	79% private, 21% contractor
Trinidad	81.5	11,436	4' 8.5"	56% contractor, 44% dept.
Straits/FMS	359	11,325	1 metre	Local
Ceylon	577.75	11,038	83% 5' 6"; 17% 2' 6"	33% contractor, 67% dept.
India	34,656	9,524	51% 5' 6"; 42% 1 metre;	-

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[1] Ivory Coast line: L. Wiener, *Chemins de fer de L'Afrique* (Paris, 1930), p. 94. All figures 1913. 1913 exchange rate: 1 franc = 9.5d; Lome-Palime: *Newbury, The Western*, p. 144; Cotonou-Save: *ibid.*; Konakry-Niger: C.O. 879/86/7650, No. 3. Wiener gives a 'pre-war' figure of £6,523 per mile (*Wiener, Chemins*, p. 83); St Louis-Dakar: CO 879/86/7650, No. 3; Thies-Kayes: *Wiener, Chemins*, p. 85; Kayes-Niger: CO 879/86/7650, No. 3. Wiener gives a 1913 figure of £6,232 per mile (*Wiener. Chemins*, p. 92); Central Dahomey line: *Wiener, Chemins*, p. 101; Lome-Atakpame: Newbury, quoting a 1921 French bulletin, gives a figure of £3,456 per mile (*Newbury, The Western*, p. 144). Wiener quotes a figure of £5,309 per mile (*Wiener, Chemins*, p. 98); Porto Novo-Pobe: *ibid.*, pp. 103-4; Lome-Anecho: *ibid.*, p. 97; Swakopmund-Windhoeck: *Railway Gazette* (New York), 29 Nov. 1907, p. 649. 1 dollar = 49.325d; Otavi RR: *ibid.*

[2] *PP 1913*, lviii (287); *PP 1916*, xxxii (Cd 8329); *Trinidad and Tobago Blue book 1914/5*; *Mauritius annual report 1914*, (Cd 8172); *PP 1907*, lvi (103); CO 67/136/28061, report, 15 July 1903. Natal: Mileage figure only includes track constructed from 1894, when the colony became self-governing; Cost per mile figure is for track built to 1907.

			7% 2'/2' 6"	
Natal	399	8,916	3' 6"	Contractor
British Guiana	98	7,023	2' 6"	Private
Barbados	28	6,968	2' 6"	Private
British Honduras	25	5,291	n/k	Dept.
Rhodesia	1,937	5,008	3' 6"	Private
Egyptian Delta line	303	1,708	2' 6"	-
Cyprus	61	2,023	2' 6"	Dept.

Appendix 12: Royal Mint Colonial Coinage 1880-1914[1]

Colony	Colonial coinage	Imperial coinage
Bermada	-	£3,620 (£2,775)
British Central Africa	-	£85,970 (£205)
British Honduras	$166,950	-
British Guiana	-	£93,860 (£24,044)
Ceylon	Rp 6.55m	-
Cyprus	£83,486 (£850)	£26,300 (£700)
E. Africa/Uganda	Rp 1,22m	-
Falklands	-	£35,520
Fiji	-	£10,000
Gambia	-	£344,545 (£351)
Gibralter	£40,595	-
Hong Kong	$ 46.089m ($7.55m)	-
Malta	£400	£319,319 (£10,999)
Mauritius	Rp 498,750 (Rp 130,000)	-
Natal	-	£104,350 (£4,930)
Nyasaland	-	£900 (£778)
St Helena	-	£6,220 (£1,475)
Straits	$21.55m ($707,000)	-
W. Africa	£40,500	£6.707m (£30,577)
W. Indies	£16,450 (£1,300)	£2.06m (£108,286)

[1] Mint 26/1-11. Colonial coinage includes silver, bronze, nickel, nickel-bronze and aluminium coins, and Imperial coinage silver and bronze coins. Colonial parenthesis contains the value of coins produced at the Birmingham Mint. The value of worn coin returned to the UK is given in the Imperial parenthesis. The Natal figure covers the period 1880-93.

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