

171

COLONIAL DEVELOPMENT
CORPORATION

ANNUAL REPORT
AND STATEMENT
OF ACCOUNTS

FOR THE YEAR ENDED
31st December 1949

*Presented to Parliament in pursuance of Section 16 (5) of the Overseas
Resources Development Act, 1948*

*Ordered by The House of Commons to be Printed
10th July 1950*

LONDON
HIS MAJESTY'S STATIONERY OFFICE
TWO SHILLINGS NET

105

COLONIAL DEVELOPMENT CORPORATION

33, Dover Street,
London, W.1.
14th June, 1950

Sir,

I am instructed to send you, in compliance with Section 16 of the Overseas Resources Development Act, 1948, the Statement of Accounts of the Colonial Development Corporation for the year ended 31st December, 1949, and the Report dealing with the operations of the Corporation during that year.

I have the honour to be, Sir,

Your obedient servant,

(Sgd.) SINCLAIR HUNTER,
Secretary

The Right Hon. James Griffiths, M.P.,
Secretary of State for the Colonies

Members of the Corporation

The Right Honourable Lord TREFGARNE OF CLEDDAU (*Chairman*)

ROBIN BROOK, O.B.E. (*Deputy Chairman*)

Sir CHARLES GALTON DARWIN, K.B.E., M.C., M.A., Sc.D., F.R.S.

HERBERT MELLOR GIBSON, J.P.

HUBERT NUTCOMBE HUME, C.B.E., M.C.

The Right Honourable Lord MILVERTON OF LAGOS, G.C.M.G.

ARTHUR JAMES MITCHELL, O.B.E.

JOHN ROSA, O.B.E.

ERIC CRAWFORD TANSLEY, C.M.G.

Sir WILLIAM MILES WEBSTER THOMAS, D.F.C.

THE LATE SIR FRANK STOCKDALE

The Board, on their own behalf and on that of the staff, wish to record their deep sense of loss consequent upon the death during the year of the first Deputy Chairman, Sir Frank Stockdale, G.C.M.G., C.B.E. They desire further to record their appreciation of the services he rendered to the Corporation, especially in its agricultural operations, during the last years of his distinguished career.

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SECTION I

SUMMARY

UNDERTAKINGS AND PROJECTS

At the 31st December, 1949, there were 28 undertakings in operation, with an aggregate capital of £14,187,000. Of these, approximately one third are agricultural, and the rest are distributed among other Divisions as shown in the Operations Report on Page 7. Projects under active investigation, but not yet launched, number 52. These will, if all are accepted, increase the amount of capital committed to about £50 million. In addition to the 28 operational undertakings and the 52 projects in course of active planning, a further 66 are at an earlier stage of consideration.

To facilitate reference to undertakings in actual operation in a specific territory, the territories are listed alphabetically below, and a brief summary of each undertaking in that territory follows. FULLER DETAILS OF THESE UNDERTAKINGS ARE GIVEN AT THE END OF THE APPROPRIATE DIVISIONAL REPORTS.

BRITISH GUIANA

British Guiana Consolidated Goldfields Ltd. : C.D.C. approved debenture holding £200,000

As stated in the last Annual Report the Corporation has made a loan to this Company secured by a convertible debenture for the purchase of a second gold dredge. This dredge has been purchased, shipped and is now being re-erected on the Potaro river. It should be in operation late in 1950. Commercial operations with the existing dredge on the Mabudia river have been satisfactory.

British Guiana Timbers* : Capital approved: £1,713,000

This undertaking is a timber extraction and sawmilling undertaking operating in two large areas in this territory. It is making good progress under the management of Steel Brothers & Co., Ltd. Sales in the last quarter of 1949 were at the rate of £221,000 per annum. The business will not be in full production till the existing small mills are supplemented with a much larger mill having a capacity of 2½ million cubic feet of logs per annum. This mill is on order. The capital will be increased during 1950 and other interests are expected to participate.

BRITISH HONDURAS

Cocoa and Banana Undertaking : Capital approved: £227,000

This is a pilot scheme to establish an experimental area under cocoa, with bananas as a shade crop, using imported cocoa shoots from Trinidad. Provided the imported planting material responds to the new environment, large scale cocoa planting will be undertaken. It is planned to have 500 acres regularly under cocoa and 1,000 acres under bananas. The most suitable areas for cultivation are being investigated and development of nurseries is proceeding.

* For purposes of enumeration the supporting undertakings, the Gambia River Farms and the Limpasa Dambo food farm are counted separately, as are also the two separately acquired interests in British Guiana now managed by British Guiana Timbers.

British Honduras Fruit Company : C.D.C. approved holding: £166,000.

The Corporation has agreed to form a joint company with British Honduras Enterprises Ltd. with the object of developing 4,000 acres of Lacatan bananas in the Stann Creek district, where an extensive soil survey has proved a sufficient area suitable for this type of cultivation. It is planned to harvest 3,000 acres and plant 1,000 acres of new growth each year.

FALKLAND ISLANDS

Falkland Islands Freezer : Capital approved: £242,000.

The Corporation is establishing a freezer on East Falkland to process about 30,000 sheep, rising ultimately to 50,000 sheep annually. It is hoped to have the freezer in operation in time for the 1952 season.

South Atlantic Sealing Company Ltd. : Capital approved: £161,500.

This enterprise was described in last year's Report. Two vessels arrived at Port Stanley in November, 1949, and a shore station is under construction. Sealing operations will begin during the southern winter of 1950.

THE GAMBIA

Gambia Poultry and River Farms* : Capital approved: £820,000.

This was the Corporation's first operational scheme, and no doubt for this reason has attracted much greater public attention than any other. The undertaking has progressively overcome all its difficulties so far; the health and fertility of the flocks is excellent and the output is expected to work up within 18 months to its maximum of 20,000,000 eggs and 1,000,000 pounds of dressed poultry per annum. The profitability of the scheme will depend first on the measure of success attained year by year in growing the whole of the food supplies locally. There is good reason to expect that at least 50 per cent. of the food required will be locally produced in 1950, and it is hoped that 75 per cent. will be locally grown in the following year. The second factor governing the profitability of the scheme will be the price obtained for the eggs from the Ministry of Food which is the only United Kingdom buyer.

It must be emphasised that this undertaking is of great importance to an old British Colony which has otherwise made little economic progress in 50 years.

Gambia Rice Farm : Capital approved: £1,115,000.

This undertaking envisages the cultivation of 23,400 acres on the middle reaches of the Gambia river for production of rice and other crops. Water control, using pumped irrigation and drainage through sluice gates, will be required. Construction will involve erection of two pumping stations, 49 miles of irrigation canals, 60 miles of feeder ditches, 34 miles of drains and 47 miles of roads. Ploughing and sowing of the first 2,500 acres under padi is planned to begin in the first half of 1951.

* See footnote on page 1.

GIBRALTAR

Atlantic Fisheries : Capital approved : £263,000.

The Corporation has acquired a vessel of 2,000 tons for conversion into a factory ship. It will fish for and process sharks, tuna and crawfish off the West Coast of Africa. Work on the vessel is proceeding and all major plant and equipment have been ordered. It is hoped to begin operations by the middle of 1950.

JAMAICA

Pre-Cooling Store : Capital approved : £138,000.

The Corporation is erecting in Kingston an 8-room pre-cooling store of 90,000 cubic feet capacity to handle 400,000 cases of citrus annually from which the store will derive its main revenue. Construction should be completed early in 1951.

Turks and Caicos Islands Salt Production : Capital approved : £217,000.

Reference was made in the last Annual Report to the Corporation's intention to acquire ownership of the Salt Industry, on which these Islands mainly depend. This has not materialised, for reasons given on Page 29. New proposals have been made and it is hoped that a satisfactory conclusion may be reached.

KENYA

East Africa Industries Ltd. : C.D.C. approved holding : £500,000.

The Corporation is participating with the Government of Kenya in the operation and development of this enterprise, which comprises a small factory near Nairobi producing pottery, refractories and general chemicals.

FEDERATION OF MALAYA

Malayan Electricity Board : C.D.C. debenture : £3,750,000.

The Federation of Malaya faces a grave shortage of electrical power and the Corporation is assisting in financing the expansion of electricity supplies for which the Government have undertaken responsibility.

Malayan Cocoa : C.D.C. approved holding : £33,500.

Production of cocoa in Malaya is at present insignificant and the Corporation has joined in partnership with Harrisons & Crosfield Ltd., and Cadbury Bros. Ltd., in a joint company to establish cocoa planting on a commercial scale in Trengganu. One thousand two hundred acres will be developed over a period of seven years.

MALAYA AND SINGAPORE

Federal and Colonial Building Society : Capital approved : £375,000.

There are at present no means of providing finance to build houses for the professional and clerical classes in the Federation of Malaya. Accordingly the Corporation has undertaken to establish its own Building Society. A subsidiary Company will be formed,* whose Directors will include prominent individuals representing both European and Asiatic local interests. A manager has been appointed and an office is being set up in Singapore.

* The Company was incorporated on 29th March, 1950.

NIGERIA

Niger Agricultural Project : C.D.C. approved holding : £250,000.

At Mokwa in the Niger district of the Northern Province, the Corporation has joined with the Government to carry out an experiment in land settlement combining modern and improved methods of farming with the traditional system of peasant land holding. Over 30,000 acres of land will be cleared by hand over a period of seven years. Selected settlers will be established in villages of about 80 families each. Cropping schemes for each village, on a six-year three-course rotation, will be organized and managed by the Corporation's staff. Work will be aided by mechanical agricultural equipment owned and operated by the Corporation. The income from settlers' crops will be divided according to an agreed proportion between the settler and the operating company. Over 1,800 acres had been cleared by the end of 1949 and planting is due to begin in May-June, 1950.

West African Fisheries and Cold Store : Capital approved : £337,000.

The Corporation has embarked on the establishment of a fish-trawling industry based on Lagos and Port Harcourt in Nigeria where ice-working plants and cold storage space will be built. Fresh fish will be distributed inland by a fleet of insulated motor vans and containers: at a later stage refrigerated holding stores may be established inland. Suitable vessels are surveyed and two trawlers will start fishing before the end of 1950. Revenue is expected from the sale of fresh and dry-salted fish, ice, and rent of cold storage space.

NORTH BORNEO

Borneo Abaca Ltd. : C.D.C. approved holding : £233,000.

In partnership with the Hong Kong Transportation Co. Ltd., the Corporation has set up a joint company known as Borneo Abaca Ltd., to develop five hemp estates and one coconut estate, taken over from the Custodian of Enemy Property, totalling 14,000 acres. Hemp and copra are being harvested currently and total production up to the end of 1949 was 760 tons of hemp and 335 tons of copra.

NORTHERN RHODESIA

Chilanga Cement Ltd. : C.D.C. approved holding : £750,000.

The Corporation is participating with the Northern Rhodesian Government in a joint Company to construct and operate a cement-making plant at Chilanga near the capital town of Lusaka. A single kiln will be established first with an annual capacity of 55,000 tons, to be followed later by a second kiln which will double the capacity. Work at the site is well advanced and production is planned to begin early in 1951.

NYASALAND

Vipya Tung Estates* : Capital approved : £1,559,000.

The objects of this undertaking were described in some detail in the last Annual Report. Present plans envisage the development over a term of years of 20,000 acres for tung-growing in the Vipya Highlands of Nyasaland to produce tung oil, used mainly in the paint industry. Work during the year has included surveying, residential and industrial building, road building and ground clearance. A mixed farm has been started nearby in the Limpasa Dambo to provide food supplies for the staff and labour engaged; 700 acres are already under cultivation.

* See footnote on page 1.

Nyasaland Fisheries Ltd. : C.D.C. approved holding : £10,000.

The Corporation has entered into partnership with Ocean Products Ltd., a company already established in South Africa, to develop the fisheries resources of Lake Nyasa and to provide fresh and dried fish as a much needed protein addition to the local diet. Operations with one fishing launch have already begun and two more vessels will shortly be commissioned.

SWAZILAND

Usutu Forests : Capital approved (for investigation and purchase of land) : £250,000.

The Corporation has purchased 124,000 acres of grassland along the Great Usutu River just within the western border of Swaziland and has embarked on a softwoods afforestation scheme for the area, of which about 75,000 acres are suitable for planting. Work has already begun under an experienced manager.

TANGANYIKA TERRITORY

Tanganyika Wattle Estates : Capital approved : £650,000.

The Corporation is establishing a wattle plantation of 35,000 acres in the Njombe district of Tanganyika to be followed by an extraction factory at a later stage. The whole area will be planted over six years and production of extract will begin in the eighth year. Equipment has already been shipped and a start made on land clearance. Ploughing will begin in April-May, 1950.*

WINDWARD ISLANDS

Castries Reconstruction (St. Lucia).

As previously reported the Corporation has undertaken to act as Agents and Consulting Engineers to the Government of St Lucia in the rebuilding of Castries. Agreement has been reached and a contract let. Work started on 25th March, 1949, and the target for the first year of work should be achieved.† Planning for the second year of work is in hand.

Dominica Grouped Undertaking : Capital approved : £227,000.

The Corporation has accepted a group of proposals for development comprising the cultivation of citrus ; the establishment of a modern grading and packing station to handle local citrus for export ; the construction of a hydro-electric power plant to supply the capital town of Roseau and its environs, and the establishment of a cold store and ice-working plant. Work has already started and it is hoped to have the grading and packing station in operation by the autumn of 1950.

FINANCIAL REPORT AND ACCOUNTS

The accounts will be found on page 62 together with an explanatory note. The Corporation shows a net loss for the year of £292,001. This loss, it should be explained, is certain to increase for a few years as the number of undertakings in active development increases. Revenue is beginning to come in on a small scale and will steadily grow.

The finances of the Corporation are under strict control and are in good order, and the rate of growth of the Corporation's activities will not be allowed to outrun the capacity of the Finance and Accounts staff.

* Ploughing began in May.

† The first year's programme of work was completed by 11th March.

ORGANISATION AND STAFF

In the latter part of the year, Lord Trefgarne, who had for two years acted also as the Chief Executive of the Corporation, was able to secure a measure of relief from some of his heavy work by the appointment of Mr. Robin Brook as Deputy Chairman.

Other important changes are set out in the body of the Report. If any further acceleration in the rate of growth of the Corporation should be required, new measures for strengthening the higher commercial management at home and overseas will have to be considered. It is in this commercial-financial field that senior staffing problems present the greatest difficulty. The Board have all along felt that they cannot depart from high standards of qualification and experience for work involving the management of such large undertakings. They are glad to report that there is at least a strong nucleus of this kind of ability in the ranks of the Corporation at Headquarters down to and including Divisional Managers.

The original plan of organisation into functional Divisions at headquarters continues to work well. Overseas it has been necessary to make some changes which are set out in the text.

EXTERNAL RELATIONS

Government Departments

The relations of the Corporation with the Secretary of State and the Colonial Office, and with the Treasury, were clarified during the year after discussions with these Departments and are working satisfactorily.

New questions, however, have arisen upon the form of the Corporation's relationship with the Ministry of Food, particularly the method by which prices of Colonial products in which the Corporation is interested will be fixed in cases in which the Ministry is the sole buyer. This question is now under consideration.

Public Relations

The Board are glad to feel that the efforts and progress of the Corporation are favourably regarded in Parliament and the Press, but equally feel there is no danger whatever, in view of the severity of some of the criticism to which the Corporation is sometimes subjected, of complacency. They expect that failure and mistake will be criticised: they hope that success will not be disregarded.

It is the unanimous feeling of the Board that it is a grave dis-service to the country to make the operations of Colonial development a matter for party controversy, if no real ground for controversy exists. They believe that the Corporation provides the Commonwealth with a powerful economic instrument which for its maximum success requires the encouragement and support of the whole nation. They believe that the devoted efforts of the overseas staff, in particular, merit appreciation.

The International Bank

In view of the public discussion which followed the cessation of loan negotiations with the International Bank for Reconstruction and Development, this report deals with that event on page 47 and makes further observations on American investment in the Colonies.

While the Board are convinced that the standard procedures of the International Bank are inappropriate and inapplicable in the case of this Corporation, they share fully the desire to attract the co-operation of United States' capital and technique, and will welcome any practicable form of co-operation.

SPECIAL COST FACTORS

In this Section of the Report, on page 50 various special factors affecting costs of Colonial development are dealt with. Attention is drawn to the lack of uniformity in Colonial Taxation systems, to Land Tenure policies which in some cases discourage high capital investment, and to the high cost, often unavoidable, of public utility services, roads, and other engineering works in the Colonies. It is pointed out that the standards of housing, health and social services in the Colonies cannot in the long run be governed by legislative enactment alone, but by the revenue available to support them, which in turn is founded primarily upon the productive outputs of the territory.

MARKETS FOR COLONIAL PRODUCE

The fundamental importance of markets and prices for Colonial products is obvious, yet the policy of His Majesty's Government in this sphere is somewhat obscure. It is suggested that, however complex the factors involved, closer consideration by His Majesty's Government is required of the relative place in the U.K. markets of the primary producers of the United Kingdom, Dominions, Colonial territories, and foreign countries.

SECTION II

OPERATIONS REPORT

During the two years ending on 31st December, 1949, the Corporation committed itself to 28 undertakings* of very varied kinds. These are described in some detail in this Report. The total amount of capital sanctioned by the Secretary of State and committed in respect of these 28 undertakings is £14,187,000. The tables below show the distribution of this planned capital investment:—

1. By Divisions (Functional)

Division	Number of Undertakings	Capital Approved	
		£	Per cent. of total
Agriculture	10	3,820,500	27
Animal Products	2	1,052,000	8
Engineering	1	—	—
Factories	4	1,605,000	11
Finance	2	4,125,000	29
Fisheries	4	771,500	6
Forestry	4	2,613,000	18
Minerals	1	200,000	1
ALL DIVISIONS	28	14,187,000	100

* "Undertakings" means projects accepted by the Board and IN OPERATION.
"Projects" means proposals under consideration.

2. By Territories

Territory	Number of Undertakings	Capital Approved	
		£	Per cent. of total
Kenya	1	500,000	3
Tanganyika	1	650,000	5
Nigeria	2	587,000	4
Gambia	3	1,935,000	14
Northern Rhodesia	1	750,000	5
Nyasaland	3	1,569,000	11
British Guiana	3	1,913,000	13
British Honduras	2	393,000	3
Jamaica	1	138,000	1
Turks and Caicos	1	217,000	1
Dominica	1	227,000	2
St. Lucia	1	—	—
Malaya	3	4,158,500	29.
North Borneo	1	233,000	2
Gibraltar	1	263,000	2
Falkland Islands	2	403,500	3
Swaziland	1	250,000	2
ALL COLONIES	28	14,187,000	100

The forms of the undertakings are:—

- (i) Fourteen undertakings which are directed by the Corporation and in which the Corporation is the sole investor.
- (ii) Seven subsidiary companies either wholly owned by the Corporation or in which the Corporation has a controlling interest.
- (iii) Three investments where the Corporation holds a minority interest.
- (iv) Three loans on debenture to commercial companies.
- (v) One in which the Corporation acts as Managing Agent for a Colonial Government.

This diversity of method is, of course, related to the size and type of the undertaking and is reflected in the Corporation's commitments, which vary from an equity interest of £10,000 in a fishery on Lake Nyasa to a commitment of over £1,000,000 for the cultivation of rice in the Gambia.

The Corporation receives regular reports and annual audited balance sheets from which the progress and financial health of its undertakings are judged. In addition, where the undertaking is directed by the Corporation a system has been evolved which, while leaving the control of policy in London, will allow a wide measure of executive control within that policy to be exercised by the manager on the spot.

The system depends, during each phase of an undertaking, upon a carefully prepared budget, divided according to categories of expenditure. As each phase of operation is completed the budget for the subsequent phase is revised in the light of achievement to date. The programme upon which the budget is based fixes targets for land clearance and cultivation, engineering work and construction, and output. Achievement, when compared with the programme, may reflect upon the soundness of the original conception or upon the efficiency of the local management, but will in any event give an opportunity to revise the scheme before it has progressed too far. The success of this system depends upon the accuracy with which the programmes and budgets can be prepared and also upon the accuracy with which actual results can be assessed. This is a technique in which the Corporation is becoming more expert with experience.

SECTION III

PROJECTS REPORT*

In the course of two years (to which for exactitude must be added a very active period of some months prior to formal incorporation) the Corporation has received a large number of projects for consideration. Some of these were inevitably the utopian schemes and impracticable proposals which every new organisation must expect to receive. But no applications which have had a *prima facie* claim to consideration have been turned down out of hand. Altogether, up to the end of December, 1949, 396 projects had been considered in more or less detail; of these 213 were rejected and 37 were withdrawn by their proposers; 28 had been finally accepted and launched and 118, for the most part being those more recently received, were still under consideration. Of the 118, 52 were being actively investigated or were in the final stages of negotiation. Below is an analysis by Division and Region of projects which have been examined since the Corporation's inception.

DIVISION	Projects Accepted	Projects under Active Investigation	Other Projects under Consideration	Rejected	Withdrawn	Total
Agriculture ...	10	9	12	45	11	87
Animal Products ...	2	8	6	31	6	53
Engineering ...	1	1	4	10	1	17
Factories ...	4	18	18	57	10	107
Finance ...	2	0	0	2	0	4
Fisheries ...	4	5	8	29	4	50
Forestry ...	4	2	9	13	2	30
Hotels ...	0	5	2	5	1	13
Minerals ...	1	3	7	17	2	30
Transport ...	0	1	0	4	0	5
TOTAL ...	28	52	66	213	37	396
REGION						
West Africa ...	5	6	13	34	4	62
East Africa ...	2	14	18	23	4	61
Central Africa ...	4	5	7	27	2	45
High Commission Territories ...	1	4	4	11	6	26
West Indies ...	9	12	14	89	7	131
Far East ...	4	8	8	17	3	40
Other ...	3	3	2	12	11	31
TOTAL ...	28	52	66	213	37	396

It will be readily understood that in order to give the Corporation its initial momentum the expenditure on administration and investigation has been at a somewhat higher rate than will be normal in future years. The Board are confident, however, that the expenditure incurred to date will in time bear fruit.

* The term "project" is used to denote a scheme or proposal under consideration, and "undertaking" to denote a project which has been approved by the Board and for which the capital has been sanctioned by the Secretary of State.

The projects referred to have originated in a variety of ways. Many have been sponsored by Colonial Governments, often in consultation with the Chairman or other members of the Board. The next largest group consists of proposals received from commercial concerns. Some have been initiated by the Corporation itself, either at Headquarters or by the Regional staff. It was, indeed, necessary, during a period of a few months in 1948 and 1949, to restrict the acceptance of new projects to those requiring really urgent consideration, in order to ensure the proper examination of projects already received.

It is broadly true to say that the Corporation has actively pursued every application which has shown promise of fulfilling the criteria of technical and commercial possibility, provided the Board have been satisfied that the undertaking would in fact be of benefit to the Colony concerned. In cases where production for the Colonial market is proposed, it has been necessary to make certain that the costs of such production would be less than the cost of import, or the advantages greater, or that the production would supply a market for which imports were not available. In cases where production for export is contemplated, it has been necessary to investigate the long-term market prospects. In most cases, increased export earnings will directly benefit the Colony by making possible an increase in imports, but the Corporation has endeavoured to avoid promoting new export industries which cannot be assured of a long term and relatively stable market for their products. Subject to the fulfilment of this condition, the Corporation has naturally aimed at selecting the projects which show promise of either earning or saving dollars, in the interests of the territory itself and the sterling area as a whole.

Some warning of the effects which a general fall in prices could have on the prospects of new primary production undertaken at this time was provided at the beginning of the year by the mild economic recession which took place in the United States. Prices of oils and fats, for instance, fell rapidly by about 33 per cent. However, whether by accident or contrivance, this trend was halted by the middle of the year and its effects, so far as the British Colonies were concerned, were completely overshadowed by the devaluation of sterling. This major event of the year has greatly improved the financial prospects of most types of Colonial production and has, indeed, increased the number of projects which show promise of becoming commercially viable.

It is recognised, of course, that devaluation will cause hardship in some Colonies, particularly those which, like the Caribbean Colonies, are dependent at present upon dollar sources for a substantial proportion of their essential imports. It should be noted, however, that in some of these cases dollar imports are admitted because of better communications with North America or because of long-standing trade connections, and not on account of the higher cost or non-availability of similar goods from soft currency sources. It was fear of the effects of the increased cost of imports which caused British Honduras to delay devaluation of its currency in line with sterling until the end of the year. Pending this decision, the Corporation was obliged to hold up work on all its projects and undertakings in that Colony. The recalculation of costs, necessitated by the assumption that the British Honduras currency would maintain its old parity with the American dollar, showed that the developments contemplated would be definitely uneconomic. This problem arose only in the case of British Honduras, since all other Colonies devalued their currencies simultaneously with sterling. Since the date on which the British Honduras Government decided to devalue, work on all the Corporation's undertakings and projects has been pushed forward.

The new parity with the dollar certainly makes production for hard currency markets financially attractive, but the hard currency markets for Colonial products are among the most vulnerable to changes in demand. It is this characteristic of the market for Colonial products in the United States in particular which would make the participation of American capital particularly welcome. Without the kind of re-insurance which would be provided by such participation, the Corporation must naturally hesitate before committing large sums to enterprises wholly or largely dependent upon an uncertain market. Nevertheless, in spite of its appreciation of the risks involved, 7 out of the Corporation's 28 undertakings will produce wholly or in part for the American market.

The possibilities of reducing the dollar expenditure of the Colonies themselves, by the substitution of local or other sterling area production, are considerable and have been increased by devaluation. The extent to which a contribution can be made by the Colonies towards a reduction of the dollar expenditure of the sterling area as a whole, must depend largely upon the possibilities of producing in the Colonies those raw materials which are at present purchased from dollar account countries. The list is not long: cotton, tobacco, sugar and softwoods are the major items. Owing to the fact that most of the Colonies are in tropical regions, the possibilities for large-scale softwood production are strictly limited. But cotton, tobacco and sugar are already important Colonial products and the Corporation is actively considering projects to expand production suited to United Kingdom requirements.

The following table classifies the Corporation's present undertakings and projects under active investigation, according to the market for which the products are destined:—

	Undertakings (in operation)	Projects (being planned)
To produce for local markets:		
Food	5	16
Non-Food	5	19
TOTAL	10	35
Of which number expected to save dollars ...	0	2
To produce for export:		
Food	10	7
Non-Food	8	9
TOTAL	18	16
Of which number expected to earn or save dollars	8	11

Although this table shows only the numbers of undertakings and projects and not the volume or value of the planned output, it can be taken as an approximate indication of both. The preponderance of undertakings producing for export indicates the importance which the Corporation attaches to developing the external purchasing power of the Colonies.

The principles of selection which have been applied to the proposals received have achieved a reasonable distribution of work between the Corporation's commercial and technical Divisions and also a fairly wide distribution of activity throughout the Colonial Empire. The Board intend to maintain the utmost flexibility in the selection and examination of projects, but they are aware that increasing attention will have to be given to ensure

a proper distribution of the Corporation's investments and to avoid, unless for strong reasons, any disproportionate concentration of the Corporation's activities in particular Colonies. These problems have naturally not yet arisen in an acute form as only 15 per cent. of the Corporation's capital resources has so far been committed.

SECTION IV

REPORTS OF COMMERCIAL AND TECHNICAL DIVISIONS

1. Agriculture Division

The Agriculture Division has continued to give high priority to the investigation and promotion of schemes for food production designed to meet deficiencies in local food supplies. During the year three major undertakings have been launched, in Nyasaland, Nigeria and the Gambia. These are described in some detail in this Report. It is hoped that these undertakings, together with others planned by this and the Fisheries and Animal Products Divisions, will be able to contribute substantially to local and regional self-sufficiency in food.

Projects for the production of foodstuffs for export have been considered and several have already been accepted. The Division has also investigated proposals for the production of agricultural raw materials. Most of such schemes would strengthen the local economy by increasing its export surplus of commodities in short supply in the sterling area or at present purchased for dollars. A few projects are planned to produce directly for North American markets. In nearly all cases where the Division is planning production for export on a large scale, it is a matter of policy to allocate land to the labour employed, so that the availability of foodstuffs in the area will not be reduced by drawing into paid employment men who would otherwise be peasant cultivators.

The Gambia undertaking is for the large-scale cultivation of rice on irrigated land. Rice cultivation is also included in the agricultural programme of the Nyasaland undertaking. The possibility of expanding rice production in the Colonies has been given particular attention and several other large schemes are being investigated. In tropical countries, where the growing of bread grains, such as wheat, barley and rye is not feasible and where, indeed, rice is usually preferred as a staple article of diet, the importance of increased local production of the latter is very great, not only to augment local diets, but also, where possible, to supply deficit areas. Increased production in the Colonies will, to some extent, reduce the necessity for expensive imports of wheat or wheat flour and benefit the sterling area as a whole by reducing the total amounts of wheat which must be purchased for dollars.

Rice production can usually be carried on in conjunction with other crops. In the Gambia pulses will be grown as a secondary crop and in both Nyasaland and the Gambia a number of other food crops are included in the cropping programme.

In Nyasaland a proposal put forward by the Protectorate Government for the production of high-grade flue-cured tobacco is expected to be launched early in 1950.* The project, as at present planned, will be capable of extension and should provide a standard and incentive for the encouragement of African tobacco growers in the surrounding area.

* Land has been acquired at Kasungu and clearing operations began in March, 1950.

In view of the grave damage caused to the West African cocoa areas by swollen shoot disease, consideration has been given to the possibility of establishing cocoa in other areas. Two small projects have already been approved, one for Malaya and another for British Honduras. Consideration has also been given to expanding production of oilseeds. Projects for the planting of oil palms and coconuts are under consideration and certain oilseeds are included in the cropping programme of the Corporation's agricultural undertaking in Northern Nigeria. The increased production of oilseeds in certain areas should improve local diets as well as increase the surplus available for export.

Among agricultural raw materials other than food, the Corporation has given most attention to the possibilities of fibre production. Manila hemp production has already been undertaken in North Borneo and proposals for hemp or other hard fibre production have been examined in several other areas.

Among soft fibres, the production of jute and jute substitutes has been given special consideration. Jute trials have been carried out in various parts of the world under other auspices but, with one exception, they have been unsatisfactory. On the whole the Corporation feels that the possibilities for substitute fibres are greater than those for jute, at any rate in the Colonies. Experiments have been carried out on four jute substitute fibres which show promise of suitability for sack manufacture. Although such fibres grow in profusion as weeds, it has yet to be proved that commercial production is an economic proposition. The chief problem is that of finding a suitable decorticating process to replace the traditional methods of retting by soaking in water which are very expensive in manpower and involve a distasteful form of work. Samples of certain fibres have been brought to the United Kingdom and processed experimentally under laboratory conditions. These tests showed that mechanical extraction is possible but larger scale experiments will have to be undertaken and the results assessed before commercial production can be planned.

Ramie is another fibre which has been examined by the Division. This is a fibre which can be used as a substitute for flax or cotton or mixed with other fibres to give greater strength or water resistance. It has had certain specialised uses in European industry but has never been used extensively for textile production, except in China. In the latter country it has for centuries been grown and processed manually for the production of yarn and cloth. Its commercial use outside China has been restricted up to now by the lack of technically satisfactory and economic methods of decorticating and especially of degumming. At the present time the Corporation is investigating several processes which may solve these problems. Meanwhile it is proposed to plant two experimental estates of 1,000 acres each in North Borneo and British Honduras. In operating these estates the Corporation will be able to acquire much useful information about the agricultural problems involved and will also have available a supply of fibre for processing experiments.

It will be appreciated that in some of the areas in which the Corporation is called upon to operate there is little specific knowledge about soils, the performance of particular crops or the incidence of disease. Colonial Departments of Agriculture have done a vast amount of valuable work in many places but they have not in general been able to carry out experiments in the more remote areas or with the techniques of large-scale cultivation. Consequently, nearly every development scheme undertaken by the Corporation must be preceded by extensive investigations on the spot, which are often

expensive both in time and money. Even when the results of preliminary investigations justify the preparation of land for agriculture, it is often necessary to undertake further trials to select the highest yielding strains of the various crops included in the agricultural programme and to determine their most suitable rotation.

Another problem common to most projects which have been considered is the clearance of large tracts of virgin land, often covered with the most recalcitrant types of vegetation. Such land can be cleared most rapidly by mechanical means, but experience shows that the cost of such methods is often higher than more primitive methods using hand labour. Moreover, mechanical clearance requires heavy equipment not all of which is readily available in the sterling area. The Corporation has endeavoured to reconcile the claims for speed with the necessity for reducing cost and saving dollars. Efficient methods are being worked out which make the maximum use of local labour and British made machinery at the smallest sacrifice of the speed which at present can only be achieved with American equipment. It may well prove that in this sphere the optimum speed is something less than the maximum speed.

Although mechanical methods for land clearance are usually more expensive than hand labour, experience has shown the reverse to be true of cultivation. All the Corporation's farming operations will be mechanised and on the Niger Agricultural Project a large-scale experiment is being carried out in combining mechanisation with peasant settlement.

UNDERTAKINGS

Gambia Rice Farm. Capital approved : £1,115,000.

The Gambia is a food deficient area. The Report of a Mission sent out by the Colonial Office in 1948 recommended various areas in the Colony for large-scale rice production. These included the middle reaches of the Gambia River, 140 to 180 miles upstream from Bathurst. Following a further report by the Divisional Manager, these areas were visited in the spring of 1949 by the Chairman, accompanied by the present Deputy Chairman and the managing staff of the Gambia Poultry undertaking. A detailed survey of the soils and climate was set afoot, and in November, 1949, it was decided to embark on the cultivation of some 23,400 acres for the production of rice and other crops.

The land will be rented from the local authority on long lease. The areas selected are known as the Pachari and the Kudang swamps, which are large, almost level, flood plains. Water control using pumped irrigation and drainage through sluice gates will be needed. This will involve the erection of two pumping stations, the construction of 49 miles of irrigation canals and 60 miles of feeder ditches, 34 miles of drains and 47 miles of roads.

The programme of work will be divided into two stages. In the first stage the Pachari area will be developed up to 7,200 acres; the remaining cultivable land will be cleared thereafter at the rate of 400 acres per annum. In the second stage the Kudang area will be developed up to 6,800 acres and the remaining cultivable land cleared thereafter at the rate of 400 acres per annum. The programme of work has been prepared in some detail, but will be modified later if experience proves it is necessary. Assuming both stages are completed, the annual production of padi should be 14,000 tons, with 9,000 tons of pulses as a second crop and a variety of other produce from the higher irrigable land surrounding the rice areas.

The year 1950 will be one of engineering work and construction. An advance engineering and survey party is now on the ground and a start has been made in the preparation of camps and temporary quarters, surveys, etc. The Corporation's subsidiary, Colonial Development Corporation (Engineering) Limited will do the construction work. It is hoped to begin ploughing and sowing of the first 2,500 acres under padi in the first half of 1951.

Nigeria : Niger Agricultural Project. C.D.C. approved holding : £250,000.

The report of the West African Oilseeds Mission (1947) contained a recommendation for the agricultural development of 1,300 square miles in the sparsely populated Niger District of the Northern Province of Nigeria. During 1948 these proposals were investigated by the Corporation and by early 1949 a pilot scheme of tenant mixed farming on 31,360 acres had been drawn up. It is hoped that this experiment in land settlement which incorporates a number of new methods will provide a solution to the problem of combining modern and improved methods of farming with the traditional system of peasant land holding.

The location selected is at Mokwa, about 330 miles from Lagos. The land will be cleared by hand over a period of seven years. Labour will be drawn from neighbouring areas and selected settlers will be established in villages of about 80 families each. Each settler will cultivate a holding of 36 acres which will form part of an organised cropping scheme for the entire village, planned and managed by the Corporation's staff. Each village will thus consist of some 3,000 acres cultivated in rotation. There will be 10 such villages established and the work of each one will be aided by mechanical agricultural equipment owned and operated by the Corporation. The Corporation will also establish a training farm and engineering training school.

An operating company is being set up in which the Corporation and the Nigerian Government will participate equally.* A manager and European staff began operations on the site in June, 1949. Temporary quarters and labour camps were set up and an immediate start made on land clearing operations.

Over 1,800 acres had been cleared by the end of 1949 and planting is due to begin in May-June, 1950. Cropping, as now planned, will follow a six-year three-course rotation of cereals, oilseeds and grass leys; in time livestock will also have a place in the scheme. The income from settlers' crops will be divided according to an agreed proportion between the settler and the operating company.

The Nigerian Government has assisted at every stage in the promotion of the scheme and has undertaken to provide a water supply, a main service road, housing and other facilities.

British Honduras : Cocoa and Banana Undertaking. Capital approved : £227,000.

At present the Gold Coast produces about one-third of the world supply of cocoa, which together with production in Nigeria, Trinidad and Grenada brings the Colonial Empire's total up to about one-half of world supply. The United States and Western Europe account for 80 per cent. of world consumption. Experts are concerned about the course of swollen shoot disease in West Africa, which, if not arrested, must have a serious effect on production.

* The Company was incorporated on 1st March, 1950.

In September, 1949, after preliminary investigations on the spot, the Corporation decided to proceed with a pilot scheme to cover an experimental area of 500 acres of cocoa and a maximum of 1,500 acres of Lacatan bananas as a shade crop. In the first year 500 acres will be planted with cocoa, up to 25 per cent. with local Forestero seedlings, and the balance with imported high-yielding strains from Trinidad. In the three succeeding years, while the cocoa plants are maturing, cultivation will be concentrated on bananas, planting up to 500 acres a year. Planting material of the Lacatan variety is limited to British Honduras and nurseries for its rapid multiplication will need to be established. Large scale cocoa planting will be deferred until after the sixth and seventh years, when it can be seen how the imported Trinidad cocoa shoots yield after acclimatisation; in the sixth, seventh and eighth years, when bananas are subject to replanting, a decision can be taken whether in future to concentrate on cocoa or on banana production. It is hoped to produce 1,000 lb. of cocoa per acre, provided the imported planting material responds to the new environment. Local material cannot alone produce the required yield.

At the close of the eighth year it is anticipated that there will be 500 acres of cocoa, 1,000 acres of bananas producing full yield, and 500 acres of bananas ready for replanting.

Options have been obtained on various areas and the most suitable lands for cultivation are being investigated; meanwhile preliminary work on development of nurseries is proceeding.

British Honduras Fruit Company. C.D.C. approved holding: £166,000.

In the summer of 1949 an approach was made to the Corporation by British Honduras Enterprises, Ltd., a company recently formed in British Honduras with the object of developing lands held in the Colony by the proposers. As a result of this approach, the Corporation agreed with British Honduras Enterprises, Ltd., in September, 1949, to form a joint company to develop 4,000 acres under bananas in the Stann Creek district, some 30 to 40 miles south of Belize, where options on suitable areas have been secured. The Corporation will be the majority shareholder. The bananas to be produced are the Lacatan variety which are already being grown on a small scale in the Colony and have so far proved immune from Panama disease, which has almost ruined the Gros Michel banana plantations in the Caribbean area. 1,000 acres a year will be cleared and planted in the first four years. The biggest yield will be from 4,000 acres in the fifth year; thereafter 3,000 acres will be harvested and 1,000 acres of new growth planted each year.

An extensive soil survey has proved the suitability of the area selected for banana production. Planting material will be made available to the new company from the nurseries already established in the Colony by British Honduras Enterprises, Ltd. Supervisory staff are already on the site and all necessary preparations for beginning work have been made.*

Malayan Cocoa. C.D.C. approved holding: £33,500.

Production of cocoa in Malaya is at present insignificant. In May, 1949, the Corporation was approached by Harrisons & Crosfield, Ltd., who have extensive interests in the Far East, with an offer to participate in a scheme to establish a cocoa plantation in Malaya.† Cadbury Bros. Ltd. were to be another partner in this scheme. Agreement was reached in November, 1949, to float a joint company to develop on a commercial scale a cocoa

* Land clearance began in February, 1950.

† The Company was incorporated on 3rd May, 1950.

plantation of 1,200 acres in Trengganu, Malaya. Occupation of the land is now being negotiated with the Trengganu Government. The enterprise will be managed on an agency basis for the company by Harrisons & Crosfield, Ltd.

The plantation will be developed in three stages. In the first stage, lasting four years, 300 acres will be planted. The first year's planting will begin to yield in the fourth year and if the yield appears satisfactory, the second stage, involving the planting of a further 300 acres in three years, will be undertaken. In the third stage the remaining 600 acres will be planted, if the success of the first two stages has been proved by results. Selected imported planting material will be used; the estate will run its own nurseries and develop high yielding strains of seed for sale to others. It is hoped to create an estate which, if cocoa succeeds in Malaya, will become the foundation of a cocoa industry of some importance in the Far East.

North Borneo : Borneo Abaca Ltd. C.D.C. approved holding : £233,000.

In partnership with the Hong Kong Transportation Company Ltd., the Corporation has set up a joint company, known as Borneo Abaca Ltd., to acquire from the Custodian of Enemy Property five ex-Japanese hemp estates totalling 14,000 acres (of which only 2,300 acres were under hemp in fair condition). The Company was incorporated on 24th March, 1949. The Luzon Stevedoring Company Inc., of which the Hong Kong Transportation Company Ltd. is a subsidiary, has provided the management to run the hemp estates, as well as an adjacent coconut estate of 2,100 acres which the joint company has also acquired. Progress has already been made in clearing the ground, improving communications and rehabilitating the decorticating factories. Hemp is being harvested currently at about 100 tons per month. Total production up to the end of 1949 was 760 tons. The presence of "bunchy top" disease (a virus disease carried by greenfly) which was earlier suspected, has recently been confirmed by expert opinion. Drastic remedial measures are being applied, but the necessary eradication of infected plants and replanting with clean material will cause a break in production in 1950. An isolation nursery has already been established to ensure adequate clean material for replanting.

Copra production during 1949 totalled 335 tons, the current rate being over 35 tons per month.

Nyasaland : Vipya Tung Estates. Capital approved : £1,559,000 (Vipya Tung : £1,410,000—Limpassa Dambo : £149,000).

The Corporation's intentions in respect of this undertaking were described in some detail last year. Present plans envisage the development over a term of years of 20,000 acres for tung-growing in the Vipya Highlands of Northern Nyasaland—an undeveloped area of some 1,500 square miles. Tung oil is a valuable hard-drying oil used in the paint industry and is in short supply.

On 1st March, 1949, the Corporation took over the Government of Nyasaland's experimental tung station and about 400 acres of experimental tung estates. Satisfactory agreement on the terms and method of securing land for the Corporation's activities has been reached with the Government. Ring-barking of forest trees (a necessary preliminary to clearance) has proceeded steadily; 2,000 acres had been ring-barked and an additional 300 acres cleared by the end of the year. Surveying of land is well up to schedule.

Based on a full engineering reconnaissance, a programme for the first three years of engineering construction has been laid down; this embodies temporary and permanent residential quarters, industrial buildings, services, communications and ground clearance. A new township will be built at

Mzuzu ; a provisional site has been surveyed and town planning has been started with the Government authorities. Temporary quarters for Europeans and Africans are being erected, and also a repair workshop, stores and other industrial buildings. Good stocks of local bricks and other building materials have been built up. Jetties have been built at the Lake terminals at Nkata Bay and Mbamba Bay.

Although unskilled labour has come forward in good numbers, work has been delayed to some extent by the shortage of skilled and semi-skilled African workers.

To provide food supplies for the staff and labour engaged in this undertaking (25 Europeans and 1,100 Africans in total), a mixed farm has been started at Limpasa Dambo, about 25 miles from Mzuzu, where 700 acres have been prepared for cultivation of rice, maize and vegetables. Small herds of beef cattle and sheep are also being reared. Any foodstuffs, surplus to the requirements of the undertaking, will be made available to the Government for distribution in the Protectorate.

In 1950, the Corporation will establish seven retail shops at various points in the area to provide much needed essential and incentive goods for both Europeans and Africans. These will be managed by Corporation staff.

Future Developments. The Vipya area is fertile and suitable for a number of different crops. Experimental plots for tea growing have been started and other crops are being investigated. A few hundred acres of coniferous timber will be planted against possible needs for building in 15 years time.

Motor Transport Convoy and Air Lift. In the summer of 1949 the Corporation feared that its activities in Northern Nyasaland would be seriously hampered, firstly by congestion at Beira (the normal port of entry in Portuguese East Africa), and secondly by the need to reserve all available transport within Nyasaland for food distribution, to counter a famine threatened by the serious drought.

Accordingly, the Corporation planned an alternative route, using the 500-mile earth road and track which crosses Tanganyika from the port of Lindi on the Indian Ocean to Songea, thence down the escarpment, to Mbamba on Lake Nyasa ; thence 35 miles across the Lake to Nkata Bay in Northern Nyasaland.

After reconnaissance a road convoy was organised consisting of standard 5-ton lorries and tractors towing 3-ton trailers. This operated from July to November, 1949 ; it carried nearly 600 tons of agricultural and engineering machinery, stores, tractors and M.T. vehicles. The convoy carried its own fuel, food and baggage and was manned largely by African drivers.

In addition, to ensure arrival of certain essential agricultural equipment in time for the autumn ploughing, some stores were flown direct by British Overseas Airways Corporation flying boat from Lindi to Nkata Bay on Lake Nyasa, where no aircraft had ever landed before. Through the enterprise of B.O.A.C. 112 tons were lifted to schedule between June and August, 1949, in spite of considerable flight difficulties.

From this pioneering venture by road and air, valuable experience has been gained. Not only has the operation delivered machinery and stores within the scheduled time and budget, it has also established an alternative all-British line of communication by road and lake from the East African seaboard to Nyasaland, a distance of over 500 miles. Current conditions at the port of Beira are unfortunately still such as to justify the Corporation's action in establishing this new route to Northern Nyasaland.

Windward Islands : Dominica Grouped Undertaking. Capital approved: £227,000.

The island of Dominica has been in a state of economic depression for the last 30 years. At present only 4 per cent. of the land area is under cultivation, bearing chiefly citrus fruits, coconuts, cocoa and bananas. New capital, business initiative and technical skill are required to assist the economic recovery of the island.

Towards the end of 1948, the Government of Dominica placed before the Corporation a comprehensive scheme of development. After careful examination, a group of proposals was selected from it as being economically sound and of first-class importance to the development of the island. They were:—

- (a) to plant 500 acres under citrus (oranges and grapefruit);
- (b) to erect and operate a citrus grading and packing station to handle all citrus grown in and exported from Dominica;
- (c) to build a hydro-electric power plant for the supply of power to the capital town of Roseau and the surrounding district, based on a 50-year franchise;
- (d) to establish a cold store and ice-making plant.

In March, 1949, the Corporation decided to embark on these proposals. Agreement was reached between the Administration, the Corporation and local citrus growers in respect of the operation of the citrus grading and packing station and the hydro-electric scheme. The terms have been ratified by the Legislative Council of Dominica. A site has been acquired in Roseau for the hydro-electric plant, the citrus packing station and the headquarters of the undertaking. Two estates, with a combined area of 2,400 acres, have been purchased giving a total area of 500 to 600 acres suitable for citrus growing.

A General Manager has been appointed and arrived in Dominica in December, 1949, with some of his staff. A survey of the area is being made; meanwhile certain of the equipment, including the generators, has been ordered. It is hoped to have the grading and packing station in operation by the autumn of 1950.

2. Animal Products Division

In the course of the year the Animal Products Division made detailed surveys of areas in Bechuanaland, Nyasaland, British Somaliland, the Falkland Islands and Fiji to assess potentialities for increased meat production. The importance of developing within the sterling area new and reliable sources of meat and meat products to supply the United Kingdom market is generally appreciated, and where there are practicable possibilities in the Colonies the Corporation intends to do its utmost to develop them. There is, however, in many Colonies, a serious deficiency in protein foods and it is a matter of urgency to increase the amounts and quality of animal products available for local consumption. In Africa in particular a serious problem is presented by the rapid growth of population which in many areas is outstripping food supplies. Even in Kenya, which at present produces a surplus of meat over its domestic needs, the population is increasing at such a rate that within 20 years this surplus will have been converted into a deficiency unless steps are taken to expand production. In many areas supply for local demand must take precedence over export demand, except in cases where increased exports will themselves be of particular benefit to the Colony in question.

The surveys and investigations which have been carried out show that the expansion of meat production in the Colonies will be of two main kinds: increased production by stock-raising schemes, and the provision of abattoirs and cold storage plants to make fuller use of existing supplies. Africa offers the greatest scope for activities in both fields.

There are large undeveloped areas in the African Colonies and High Commission Territories suitable for meat production by ranching. Increase of beef supplies by the multiplication of stock numbers must, however, be regarded as a long term undertaking. The normal productive rate of cattle, combined with the long period required for the animals to reach maturity, preclude rapid expansion. African stock generally, because of their low level of nutrition, produce one calf only every second year. Where ranching is undertaken by the Corporation, indigenous cattle will be used and up-graded by selective breeding within the breeds, after an adequate level of nutrition has been established. The necessary steps for this include the erection of fencing to allow for controlled grazing and pasture improvement, the provision of adequate water supplies, and the production of fodder crops as an insurance against drought.

All available measures will be taken to prevent and control disease. In time new drugs, such as Antrycide, will help to open up areas previously closed to animal breeding. A more immediate increase in meat supplies can be achieved by building modern abattoirs equipped with cold storage plants and placed strategically in relation to stock population and markets. Livestock in Africa are owned mainly by nomadic tribesmen or are herded on communally owned grazings. Stock numbers, irrespective of quality, reflect the social status and wealth of the owner. African stock owners only rarely make provision against the frequent drought to which these areas are subject and they tend to aggravate the effects of drought by over-stocking. In consequence, when long periods of drought occur there are heavy stock losses and young and immature cattle are slaughtered to prevent further mortality from starvation. In order to prevent this serious loss of potential meat, the provision of holding or feeding grounds with adequate water supplies and built-up fodder reserves must be linked with abattoir schemes.

Grass-fed livestock in tropical and semi-tropical areas are generally in finest condition for slaughter just prior to the dry season, which may be the beginning of a long period of drought. If the bulk of animals fit for slaughter could be drawn off at this season, not only would the largest quantity of meat be obtained, but stock numbers would be reduced for the period when available grazing is in shortest supply. Since cold storage facilities are inadequate or totally lacking in most territories at present, animals are not usually slaughtered on reaching their optimum live weight. The provision of up-to-date abattoirs with ample cold storage facilities to cater for the seasonal flow will, therefore, increase the total meat potential of existing supplies. In addition, with centralised slaughtering the employment of specialised equipment to make the maximum use of by-products is justified.

The Corporation is considering the establishment of cattle trading pools in areas where cattle numbers do not warrant the building of abattoirs and where long distances have to be covered on the hoof. These would involve providing rest camps and holding grounds with adequate watering facilities along the trade routes, thus preventing the considerable loss in weight and condition which usually results from long distance trekking.

The need for increasing dairy production is also receiving attention. The major limiting factor is the scarcity of suitable areas, which are far less common in the Colonies than those for meat production. Milk, unlike meat,

cannot be produced by ranching methods. There are, however, a few promising areas at suitable elevations which have been or are being investigated in Nyasaland, the West Indian islands and British Honduras.

The expansion of mutton production is subject to the same difficulties as beef production. Both are handicapped by lack of refrigeration facilities and the quality of stock is generally poor. In one area under review the sheep population has outgrown the grazing facilities and urgent problems have resulted. An abattoir scheme, designed to draw off the surplus sheep and to provide mutton and by-products for export from this area, is being planned, but difficulties have been encountered over the question of disease. As in the case of dairying, areas suitable for sheep farming in the Colonies are limited by climatic conditions.

Pigs present a very different problem. Due to their high reproductive rate, a rapid expansion of supplies can be achieved. It is this fact, however, which makes the market for pig products unstable. For instance, an increase in feeding stuffs available in the United Kingdom would result in an expansion of pig production at home and would be an immediate blow to the prospects of any overseas scheme producing for the United Kingdom market. In these circumstances, pig production in the Colonies for export, which must involve high capital expenditure, could not be undertaken in the absence of long term market guarantees, and would have to be assured of local self-sufficiency in feed supplies. In addition, racial customs and religious beliefs concerning the keeping of pigs may be a determining factor in assessing the suitability of this industry in certain Colonies.

UNDERTAKINGS

Gambia Poultry and River Farms. Capital approved: £820,000. (Poultry Farm £810,000 ; River Farms £10,000.)

During 1949 the construction stage of this undertaking was virtually completed. The contract for the erection of industrial buildings and permanent residential quarters at £143,000 was completed within the estimate and ahead of schedule. Over 10,000 acres of bush have been cleared and are being progressively brought under the plough. By 1952 the whole area will be cultivated and is expected to provide all the feedingstuffs required. Timber sufficient for the constructional work of the undertaking has been provided from land clearance and a stock built up for the production of packing crates. It was found that the timber had little other commercial value and it was not possible to cover the cost of ground clearance by sales of timber outside the undertaking, as had been hoped. Consequently, it was necessary to provide additional funds for working capital.

A breeding flock of over 2,800 Rhode Island birds has been reared and hatching of the laying flock is proceeding. It is expected to number 90,000 by December, 1950. Surplus cockerels have been sold to African farmers to improve local strains. It is anticipated that eggs and dressed poultry will be available for marketing by the summer of 1950*. Favourable reports were given on small trial shipments of eggs made in November, 1949.

Other farming operations include 140 pigs and 17 cattle. In addition, two small "pilot" farms of 200 acres each for rice, cereals and légumes have been established in the middle reaches of the Gambia River, 60 and 170 miles respectively upstream from Bathurst.

With the departure of the ground clearance team the permanent European staff now number 13 ; in addition, there are 33 skilled Bahamian poultrymen. About 1,000 Africans are employed, and their training is proceeding satisfactorily.

* Sales of eggs and dressed poultry to West African markets began in June, 1950. The first shipment of dressed poultry to the United Kingdom is scheduled for July.

This, the first operational undertaking launched by the Corporation in fulfilment of the policy of His Majesty's Government, to which all sections of political opinion give their support, has naturally come under close public scrutiny. Despite all the announcements issued by the Corporation, the scheme has met with persistent misrepresentation in some sections of the press. Early difficulties, such as the serious but temporary fall in the fertility of the eggs produced, were hastily seized upon by some writers as the herald of failure and disaster. However, nearly all press commentators who have visited the undertaking have written in the most favourable terms of the progress made and their reports have come as a welcome and gratifying encouragement to all who have worked so hard on the scheme.

The Board are glad to be able to state that all the difficulties encountered so far have been overcome without any irremediable set-back to the programme. They have every confidence that, subject to those continuing risks to which poultry production is liable and subject to the products receiving fair prices in the United Kingdom, this soundly conceived and executed undertaking will fulfil all that they have expected of it.

It must be emphasised that the Gambia has made little economic progress in the last 30 or 40 years. Its prosperity has depended upon one crop, groundnuts, and the need for development of other economic activities is an urgent necessity. The Corporation's undertaking is expected to prove a boon to the people of the Colony and to provide an addition to that proportion of poultry products obtained from British sources.

The Board venture to express the hope that its continued progress will be watched with goodwill by the British public and by responsible commentators.

Falkland Islands Freezer. Capital approved : £242,000.

Sheep farming is almost the only industry of the Falkland Islands. At present sheep are reared solely for wool. Surplus sheep are slaughtered and after their skins are removed, left to rot on the ground. The only exception is the small number of carcasses rendered down for tallow or consumed locally. Cattle thrive on the Islands, but are kept only to control the herbage. The hides of those slaughtered are used, but, as with sheep, their meat is wasted, except for the small amount consumed in the Islands.

A representative of the Corporation carried out a comprehensive survey on the Islands. As a result, in October, 1949, the Corporation undertook to establish a freezer on East Falkland to process about 30,000 sheep during the first year, rising to about 50,000 by the fifth year. Throughput of cattle will, it is hoped, rise from about 1,000 in the first year to 1,500 in the third year. At full capacity the freezer is planned to handle over 2½ million lb. of mutton and 75,000 lb. of beef. No roads exist on the Islands and the sheep will travel on the hoof to the abattoir. Those from West Falkland will be collected at a central holding ground for shipment to the abattoir.

The population of the Colony consists of about 2,200 persons of British descent. There is no unemployment in the Islands and the necessary labour will be recruited from the United Kingdom.

The farmers on the Islands will be given the opportunity to buy shares in the subsidiary company which will be formed to own and operate the freezer. They will also be invited to nominate a director of this subsidiary.

All arrangements for the purchase and shipment of equipment are well advanced. A resident engineer is now on site. It is hoped to complete construction in 1951, and to have the freezer in operation in time for the 1952 season.

3. Engineering and Works Division

In its last Annual Report the Corporation stressed the importance it attached to organising this Division on the right lines. It was necessary to work out in detail the Corporation's methods of co-operation with existing contractors and to arrive at a clearer view of the extent to which the supply position for certain types of heavy equipment would influence the choice of method for particular operations. During the year the decision was taken to establish an engineering subsidiary company.

Colonial Development Corporation (Engineering) Ltd. Capital approved: £1,000,000.

Nearly all the schemes for development which have come before the Corporation have involved considerable engineering works. In the case of agricultural schemes, ground clearance, irrigation and drainage are almost always involved in a greater or less degree. Most schemes involve building of one kind or another. At quite an early stage, it became clear that no single outside body would be prepared to undertake on acceptable terms the extensive civil engineering works necessitated by the projects in view. Consequently, the Board decided to set up its own construction organisation. This new organisation has been formed as a separate subsidiary company, known as Colonial Development Corporation (Engineering) Ltd., incorporated on the 14th October 1949. The company will acquire and own the substantial quantities of civil engineering plant and machinery required for the Corporation's various projects. This equipment will be serviced and controlled from suitable centres in the various Colonial regions. The company, as the Corporation's contractor, will carry out engineering work such as road making, land clearing, building, etc., either alone or in co-operation with other contractors. Mr. Robin Brook, Deputy Chairman of the Corporation, has been appointed Chairman of the new company for the time being and Mr. A. J. Mitchell was appointed a Director of the new company concurrently with his appointment to the Board of the Corporation. Lord Milverton and Mr. H. N. Hume have also been appointed Directors, together with the Corporation's Controller of Operations and Director of Finance. A General Manager has been appointed and other staff is being recruited. The headquarters of the company is in London.

In planning works to be carried out in connection with undertakings wholly owned and operated by the Corporation, the Engineering and Works Division acts as the consulting engineer, but employs outside consultants where it is not in a position to do the work itself. In all areas where civil engineering contracting organisations are already working it is the policy of the Corporation to invite tenders for its works, and the new company is included in the invitations. In a number of cases contracts have been awarded to outside contractors, even though the new company has competed for the work.

The Engineering and Works Division is directly responsible for one of the Corporation's major undertakings—that of rebuilding Castries, the capital of St. Lucia. In this undertaking the Corporation is acting in the capacity of Contractor to the Government of St. Lucia. The progress of this undertaking to date is described on page 24.

All the other works undertaken by the Division during the year have been undertaken on behalf of other Divisions of the Corporation. Most, if not all, of the undertakings in which Agriculture, Animal Products and Forestry Divisions are concerned involve the building of roads, the clearing of land, the construction of houses and other buildings, the provision of water, drainage, etc.

On behalf of the Agriculture Division the Engineering Division, during the year, planned a 20,000 acre undertaking in the Gambia for the production of rice by pumped irrigation. (Progress on this scheme has been described on page 14.) In connection with the development of the Vinya Tung Estates in Northern Nyasaland, surveys have been carried out and buildings and temporary harbour works have been planned and construction put under way. In Dominica, in the West Indies, the Engineering Division has planned and has already under construction a hydro-electric undertaking, a citrus packing station and a cold store. (See page 19.)

The Division has been responsible for the construction of buildings and plant for the Gambia Poultry Farm. (See page 21.) This work has now been completed. A sheep and cattle abattoir and freezer has been planned and is now being constructed in the Falkland Islands. (See page 22.) Works on these two schemes were undertaken on behalf of the Animal Products Division.

The planning and construction of a pre-cooling store at Kingston, Jamaica, have been undertaken for Factories Division (see page 28). It is expected that this cold store will be ready for operation by the end of 1950.

As reported on page 29 the Corporation has agreed to a loan on debenture of £3½ million to the Malayan Electricity Board for the development of the Connaught Bridge Power Station at Port Swettenham. The Division was closely associated with a firm of outside consulting engineers in the investigations which led up to the Corporation's agreement to participate in this undertaking.

In connection with a fishing undertaking the Division is planning cold storage buildings in Lagos and Port Harcourt in Nigeria. (See page 31.) It is expected that the construction of these buildings and the installation of ancillary services will be completed in the early part of 1951. The construction of houses and the provision of other amenities on the Wattle Estate in Southern Tanganyika have also been undertaken on behalf of the Forestry Division. (See page 34.)

The importance of adequate preliminary investigation before engineering development is undertaken cannot be overstressed. The truth of the statement that "Time taken on reconnaissance is seldom wasted" is proved again in each new undertaking. It is the Corporation's intention that this truth shall be given its due weight in reconciling the claims for rapid action against the caution which is demanded if new development is to have sound economic foundations.

UNDERTAKINGS

Windward Islands : (St. Lucia) Castries Reconstruction.

As previously reported, the Corporation has undertaken to act as Agents and Consulting Engineers to the Government of St. Lucia in the rebuilding of the capital town of Castries which was devastated by fire in June 1948. The agreement between the Administrator and the Corporation and the contract between the Corporation and its contractor, Messrs. Holland & Hannen and Cubitts Ltd., have only recently been ratified. The Corporation was, however, fully confident of this result and the delay was not allowed to hold up activities in Castries.

Work in fact started on 25th March 1949 after a mission of investigation had reported. Offices, workshops, stores and bungalows for the site staff have already been completed. A start has been made on Government

housing in the town itself, on a Government warehouse and on other buildings. The target is to complete buildings and other works to the value of £200,000 net on or before 25th March, 1950 and this should be achieved.* Planning for the second year of work is in hand. The Governor of the Windward Islands and the Administrator of St. Lucia have been good enough to express their satisfaction with the progress made.

4. Equipment Division

Two main factors have affected the activities of the Equipment Division during 1949. One was the change from a sellers' to a buyers' market, which has made easier the supply of equipment to the Corporation's undertakings. The other was the devaluation of sterling and its effects on prices in general and on dollar purchases in particular.

The supply position has improved more rapidly than was at one time expected and there is now only a limited number of items which are still subject to very long delivery dates. The most important of these are heavy saw-mill equipment, heavy electrical equipment and specialised processing plant. There are certain other types of equipment in regular demand by the Corporation which are not readily available if quick deliveries are required. Here the Corporation's needs have, to a large extent, been covered by placing long term orders with manufacturers, which, after an initial delay, ensure a steady flow of these goods. The surplus, if any, of the long term orders which are not required for the Corporation's undertakings at the time of delivery will be stored at the Corporation's equipment depot till required.

The Corporation's intention to establish such a depot was announced in the Annual Report last year. A site has been purchased at Eynsham in Oxfordshire, the necessary conversion of buildings has been completed and the capital equipment required for operation installed during the second half of the year. £100,000 was approved for the purchase of stock. Apart from the items already mentioned, this stock includes a wide range of common-use consumable stores purchased direct from the manufacturers. This method of purchasing through a central depot offers a double advantage: it gives the Corporation the opportunity to provide goods on immediate delivery to its undertakings and at the same time to benefit from the economies of bulk buying.

It should be added that the general easing of the supply position has been assisted by the co-operation of the Corporation's suppliers, particularly where urgent deliveries have had to be made.

Devaluation of sterling has not so far had a marked effect upon the prices of capital goods manufactured in the United Kingdom and these have remained steady throughout the year, with the exception, of course, of such products as are directly affected by the increase in the sterling prices of certain non-ferrous metals. On the other hand, the effect of devaluation on the cost, in terms of sterling, of capital equipment which has to be purchased for U.S. dollars is very marked. The purchase of dollar equipment therefore will more than ever have to be restricted to items which are unobtainable in the United Kingdom and which at the same time are absolutely essential to the Corporation's operations. The chief item of dollar expenditure is for heavy crawler tractors. Every effort is made, however, to curtail this expenditure by purchasing only the basic machine in the United States, making use of such sources of supply as are available in the United Kingdom for the provision of ancillary equipment.

* The first year's programme of work was completed on 11th March, 1950.

5. Factories Division

There are many reasons why so little industrial development has taken place in the Colonies up to the present. Climatic conditions prohibit certain manufacturing activities altogether and increase the production cost of others. Additional factors are the lack of trained labour and the consequent high cost of supervision and management, relatively small local markets, great distances from export markets and inadequacy of transport facilities.

These handicaps are seldom offset by low costs of labour or raw materials, by low rates of taxation, or by high cost of imports. Special legislation is usually necessary to provide conditions sufficiently favourable for new secondary industries to establish themselves on a commercial basis. Such measures may include remission of taxes during the development period, discouragement of competitive imports by tariffs or quotas, subsidised raw materials by means of export taxes or Marketing Board allocation and price control, or exclusive manufacturing licences as a protection against local competition.

The Corporation is fully aware that such statutory protection should be sought only when cogent and commercial reasons justify the establishment of a Colonial industry. It should not, of course, be sought for the protection of inefficient industries. Manufacture within the Colony of an article which can more cheaply be imported may lead to a fall and not to a rise in the real income of the community. However, long term secondary benefits of industrial activity may sometimes be set against this orthodox economic argument.

The Corporation has also to contend with the problem of the best location for secondary industries. It cannot be simply assumed that processing industries should be located near the source of the raw material in order to save transport charges. Frequently, it is true, a substantial saving in bulk is achieved by preliminary processing in the growing areas, as, for example, by decorticating nuts, hulling rice and ginning cotton. Processed or manufactured goods, however, may require special facilities, such as refrigerated space and packing arrangements, which result in higher freight charges, whereas bulky raw materials usually require less careful handling. In such circumstances final processing may be best carried out elsewhere—a course especially justified when there are many end-products for distribution to separate markets.

Processing of raw materials in the Colonies is probably most economic when a local market exists for some part of the output. Sugar refining in East Africa, for instance, is protected by a substantial domestic market. Similarly, oil extraction in a Colony should normally be supported by local demand from using industries, such as soap and margarine manufacture.

Where justified by local demand, the Corporation intends itself to undertake the further manufacture of certain processed raw materials. The local supply of all the basic raw materials is, however, as important as a substantial local market. The savings on double transport, agency and similar costs may swing the balance in favour of local production and offset the advantages of highly specialised product from a distant source of supply. These factors are usually particularly important in the case of bulky commodities such as cement and building materials.

The Factories Division has given particular attention to projects which will encourage more and better primary production. The provision of common services which individual primary producers cannot themselves organise or afford is a step towards this goal. Thus, the Corporation's pre-cooling store in Jamaica will treat citrus fruit collectively prior to shipment

and so ensure delivery of the fruit in prime condition. Such a service may act as a useful stimulus to fruit growing throughout Jamaica. Similarly, the Corporation is considering the erection of a central rubber factory in Johore to process smallholders' rubber into standard export grades which sell at a premium. At present smallholders sell their crude rubber at a discount to dealers and re-millers and the resulting products, which are not usually of high quality, are in turn saleable only at a substantial discount. Smallholders produce about two-fifths of all Malayan rubber.

Several proposals for cotton spinning and weaving on a modest scale are being investigated in cotton-growing Colonies. The local production of piece-goods would satisfy a very important local demand and might stimulate increased production of high grade raw cotton. The Division is also investigating the processing and subsequent manufacture of other fibres, especially jute substitutes and ramie which are mentioned in the Report of the Agriculture Division on page 12.

The production of building materials to satisfy the growing demands from development schemes has also received attention. Modern methods of rapid construction whether of houses, commercial buildings, factories or public works, require ample supplies of cement at a minimum cost. In suitable areas the Corporation can perform a valuable service by co-operating in plans for cement production and various projects are being investigated.

UNDERTAKINGS

Northern Rhodesia : Chilanga Cement Ltd. C.D.C. approved holding : £750,000.

There is at present no cement production in Northern Rhodesia where, in common with other Colonial Territories in East and Central Africa, the potential demand for cement exceeds the imported supplies now available. The Northern Rhodesian Government estimates that general industrial and commercial expansion, together with the Government's own Ten Year Development Programme, will rapidly increase demand still further, and the Corporation shares this view.

Accordingly, in 1947 the Northern Rhodesian Government ordered the construction of a factory to manufacture a special type of "low-heat" cement, to be established at Chilanga, near Lusaka (the capital of Northern Rhodesia). Messrs. Henry Pooley have been appointed as consulting engineers. All plant necessary was ordered for an output of 55,000 tons of cement per annum, the plant and buildings being designed to allow expansion of capacity when required. To release funds for development projects under their Ten Year Plan, the Northern Rhodesian Government invited the Corporation to participate in this enterprise, and the Corporation has agreed to take over 75 per cent. of the total capital commitment of £1,000,000. A joint subsidiary company known as Chilanga Cement Ltd., was formed and incorporated on 29th July, 1949, when the Agreement between the Crown and the Corporation was signed, transferring ownership of the works from the Government of Northern Rhodesia to the Company.

Work on excavation and foundations is well advanced and the erection of structural steelwork has begun. Consignments of plant and equipment from the United Kingdom are arriving on the site, and all steps have been taken, in London and at Chilanga, to ensure the maximum co-ordination of construction with plant deliveries. The General Manager and some of his staff are already at work. Production is planned to begin early in 1951.

Kenya : East Africa Industries Ltd. C.D.C. approved holding : £500,000.

During the war the Government of Kenya set up and operated a small factory near Nairobi, where pottery, refractories and miscellaneous chemicals were manufactured. This was intended as an emergency measure and to meet local shortages. The Government was pledged to dispose of its interest in this enterprise after the war. Some units were sold privately, but there remained the main body of the factory comprising pottery and refractory bricks, plant, hydrogenation plant (principally cooking fat), sulphuric acid and hydro-chloric acid plants, general chemicals plant (principally liquid caustic soda and quick lime).

In January, 1949, the Corporation agreed to participate with the Government of Kenya in the operation and development of this enterprise. A joint Company has been formed, known as East Africa Industries Ltd. with an authorised capital of £750,000 of which at present the Corporation has agreed to subscribe £300,000 and the Kenya Government has been allotted £150,000 as part consideration for the assets transferred. The company was incorporated on 13th April, 1949, and with the transfer of control there have been some changes in management and staff.

At present the company's profits derive from its production of oils and refractories, whilst the pottery and chemicals section are trading at a loss. The Company retains the services of Dr. A. J. V. Underwood, as consulting engineer, and with his collaboration is actively examining schemes for re-organisation, based on curtailing unprofitable production and expanding the profit-making sections. Market research into new lines has been undertaken and a programme of development is being formulated.

Jamaica : Pre-Cooling Store. Capital approved : £138,000.

The establishment of a pre-cooling store in Jamaica has been strongly urged by the Jamaican Government and the local citrus growers in the interests of the general development of citrus and fruit-growing in the island.

Cool-storage is required for citrus and other fruit and vegetables prior to shipment abroad. Existing cold stores were built for frozen food and cannot, therefore, deal satisfactorily with pre-cooling and cool-handling. In any case their capacity is too small to deal with any appreciable quantities of fruit.

In October, 1949, the Corporation undertook to erect and operate in Kingston an 8-room pre-cooling store, with a total capacity of about 90,000 cubic feet, with provision for an increase in capacity if warranted by future trade.

The store will handle a large proportion of Jamaica's increasing citrus exports. The citrus handling capacity of the store will be adequate for a throughput of 400,000 cases per annum. In addition it is anticipated that the store will cool and hold for shipment canned welfare concentrate, mangoes, tomatoes and other vegetables. The store will receive its main revenue from throughput charges for the handling of produce for growers and exporters, but in addition a small business of buying and selling of other agricultural produce may be developed in the citrus off-season.

With the exception of the manager, staff and labour will be entirely Jamaican. A suitable site for the store has been chosen in Kingston. Equipment has been ordered. The manager and a resident engineer will be on site early in 1950 when a start on construction work will be made.* It is anticipated that the store will begin trading early in 1951.

* Work on pile foundations began on 3rd April, 1950.

Turks and Caicos Islands : Salt Production. Capital approved: £217,000.

In the last Annual Report it was envisaged that the ownership of the salt industry, on which these Islands mainly depend, would be transferred to the Corporation. This has not materialised although negotiations were far advanced. A series of strikes organised by irresponsibly led unions in the summer of 1949 threatened to undermine the basis of the scheme and the Board felt themselves unable to proceed with the original proposals to acquire ownership. New proposals have been made and it is hoped a satisfactory conclusion may be reached.

6. Finance Department

Apart from its responsibility for the financial control of all the Corporation's undertakings and for the maintenance of proper accounting systems, the Finance and Accounts Department has also the responsibility for the supervision of two of the Corporation's undertakings. In one case, the Corporation has made a loan on debenture to a public utility undertaking, which does not carry with it any managerial responsibility. In the second case, the nature of the business of the undertaking, a Building Society, is of a primarily financial character.

UNDERTAKINGS

Malayan Electricity Board. C.D.C. debenture: £3,750,000.

The Federation of Malaya faces a grave shortage of electrical power. This is due partly to the physical destruction and the arrested capital development of the war years and partly to the steady increase in demand for electricity since the war. The shortage is already affecting the output of essential dollar earning industries, such as tin. In 1948 it was proposed to set up a Malayan Electricity Board with powers to take over existing power plants and to expand electricity supplies. The Corporation was invited by the High Commissioner for the Federation to participate in the finance of this expansion. Proposals include the erection of a thermal generating station in two stages, with a capacity of 80,000 K.W., a hydro-electric scheme in two stages with a capacity of 100,000 K.W., the development of a grid and the improvement of the distribution system. The development of the thermal station up to 40,000 K.W., was needed to restore the capacity in Malaya to its pre-war level.

In February 1949 the Corporation agreed to finance the completion of the first stage of the thermal station up to a total of £3,750,000 in the form of a convertible debenture loan to the Electricity Board. The necessary legislation setting up the Board and incorporating the Agreement with the Corporation was passed by the Legislative Council in the summer of 1949. The Corporation will have the right to nominate one member of the Board. According to the present construction programme, work should be finished by the summer of 1951.

Malaya and Singapore : Federal and Colonial Building Society. Capital approved: £375,000.

In 1948, the High Commissioner for the Federation of Malaya and the Governor of Singapore indicated that they would strongly support any action by the Corporation to relieve the acute shortage of housing in Malaya and Singapore. The provision of accommodation for the lower-paid worker is at present the responsibility of the Government-financed Improvement Trust

in Singapore, and plans are being made to establish a similar body in the Federation of Malaya. There are, however, no means for providing finance to build houses for the professional and clerical classes.

The Corporation made exhaustive investigation of the possibilities, including that of working through a local organisation, and in November 1949 decided to establish its own Building Society. The initial capital proposed is £375,000 but this will be reviewed if business warrants it.

The method of finance proposed for this undertaking differs from standard Building Society practice in the United Kingdom in that the capital, in the first place, will be subscribed entirely by the Corporation and the decision whether to accept deposits from the public will be taken later.

A local subsidiary company will be formed.* Certain prominent individuals, representing both European and Asiatic local interests, have agreed to serve as Directors. A manager was appointed in December 1949 and an office is being set up in Singapore.

7. Fisheries Division

A number of fisheries projects has been investigated during the year under review. Four had been accepted by the Corporation at 31st December, 1949. In considering these projects Fisheries Division was aware of the need for increasing supplies of fish and fish products in areas where diets are at present deficient in protein. There is also a wide variety of fish products which are staple commodities in international trade, for instance fish oils, vitamin oils, fish meal, canned and frozen fish. The four undertakings already accepted will produce fish for local consumption and also certain products for export.

The majority of the Colonies have seaboard in tropical waters. These waters present technical problems which are not encountered in the more familiar northern fisheries. For instance, some potential fishing grounds are covered with luxuriant growths of coral which make trawling impossible. However, fish-catching techniques successful in conditions peculiar to the tropics have been developed on the Pacific coast of North America and in the Far East, and it is from these fisheries that techniques can be adapted for use in Colonial waters: for instance, use of the purse seine (already well developed by Chinese communities in Malaya) and shark fishing by set net and long line.

The seas off West Africa are free from obstacles which make fishing difficult in some other waters and the Corporation has already launched a trawl fishery based on Nigerian ports. This fishery will supply considerable additional quantities of fish to West African markets. Colonial fisheries undertakings necessarily vary widely in treatment, processing and consumer use, more widely perhaps than the analogous activities based on northern waters. In tropical areas it is often advisable for a single undertaking to catch the fish, land it, hold it in cold storage and distribute it. This means combining in one enterprise functions which in the United Kingdom, for instance, would normally be carried out by several independent concerns. But such an undertaking can only be economic when there are abundant and constant supplies of fish and good coastal markets. In West Africa both these conditions are fulfilled.

In addition, the Corporation hopes to produce dried fish which, because it is more easily transported and handled than fresh fish, can be distributed widely in inland areas. West Africans are already familiar with this form of

* The Company was incorporated on 29th March, 1950.

fish which is at present imported from Newfoundland and Norway and of which there is already some local production. It is believed that there will be a considerable demand in other parts of Africa if regular supplies were offered at competitive prices. Low cost production depends upon cheap and plentiful supplies of fresh fish and a climate dry enough for atmospheric drying. These conditions exist in certain parts of Africa and in the Seychelles.*

The Division has also investigated projects for fish canning. Canned fish would find a ready sale in Colonial markets provided it were produced cheaply enough and there is an export demand for certain higher-priced products such as canned tuna, for which a market exists in the United States. Only certain kinds of fish—chiefly those with a high oil content in the flesh—are suitable for canning, and it is therefore most economic to combine canning with other methods of processing in order to utilise the whole of the catch.

The Fisheries Division, aware of the continuing shortage of oils and fats, has given high priority to the investigation of projects for catching and processing the marine mammals (whales and seals) which are an important source of oils and fats. The Corporation has already launched a small undertaking in the Falkland Islands where it is hoped to produce a high-grade oil from sea lions and sea elephants. (See Page 32.)

The Division recently became interested in fish farming as a method of supplying fish to inland Colonial populations. The possibilities for developing this technique in Africa are being investigated. Some progress has already been made there by the British and Belgian Colonial Governments using indigenous species of fish. A population of fish can be bred, reared and fattened in a series of ponds under hydraulic control with systems of direct feeding or indirect feeding by enrichment of the waters to promote the growth of natural food organism. Fish produced by these means, could not compete in markets adjacent to sea or great lake fisheries, but in markets inaccessible to ordinary fisheries the demand for additional protein food might justify the higher costs of production.

UNDERTAKINGS

Nigeria: West African Fisheries and Cold Store. Capital approved: £337,000.

The deep waters surrounding the West African coast are well stocked with species of bottom fish which cannot be reached by the African fisherman whose activities are necessarily limited to shallow water. A small Government-owned trawler has operated in West African waters for over a year, with encouraging results. After a detailed investigation into port and site facilities and distribution and marketing possibilities, in October, 1949, the Corporation embarked on the establishment of a fish-trawling industry based on Lagos and Port Harcourt in Nigeria.

Two trawlers will start fishing before the end of 1950. Ice-making plants and cold storage space will be built at Lagos and Port Harcourt where catches will be landed. Office premises and residential quarters will be built. A fleet of refrigerated and insulated motor vans and insulated containers will be maintained to carry fresh fish inland by road and rail for distribution to inland towns, such as Ibadan and Enugu. At a later stage, in the light of experience gained, an expansion of the trawler fleet and

* An undertaking based on St. Anne's Island in the Seychelles was launched in April, 1950, and will supply dried fish to East African markets.

the establishment of refrigerated holding stores inland at various suitable points are contemplated. Revenue is expected from the sale of fresh and dry-salted fish, ice, and rent of cold-storage space.

Leases are being negotiated for sites at Lagos and Port Harcourt. Suitable vessels are being surveyed, and equipment and transport have been ordered. Two managers, a trawler skipper and a marine engineer have already been appointed.

Nyasaland Fisheries Limited. C.D.C. approved holding : £10,000.

The Government of Nyasaland is anxious to see the fishing resources of Lake Nyasa fully developed. Hitherto the lake has been fished chiefly by local Africans operating only in shallow water. The fish population of the lake includes African varieties of perch, carp, catfish and barbel. The market for fresh fish is limited to the relatively small European population of the Colony, but there is a keen demand for dried fish, especially from African labour employed on the tea and tobacco estates.

Early in 1949 the Corporation went into partnership with Ocean Products Ltd., a South African company, which was already operating a fishery and fish processing undertaking in the Cape. A joint company known as Nyasaland Fisheries Ltd. was incorporated on 16th August, 1949, with Ocean Products Ltd. as majority shareholder and managing agents. A fishing station and drying sheds have been established on the south-east arm of Lake Nyasa where operations began in July, 1949. Moderate catches have been obtained so far with one motor fishing launch; the company intends to extend its operations by the addition of two new motor vessels early in 1950. The company will also buy the catches of local African fishermen surplus to their own needs and will try to encourage their activities by supplying fishing gear.

Falkland Islands: South Atlantic Sealing Company Limited. Capital approved: £161,500.

The objects of this enterprise, which was fully described in the previous Report, are, briefly to take sea-lions and sea-elephants in the Falkland Islands and South Orkneys and to process the carcasses for oil (including liver oil), meat meal and fertiliser for which a ready market exists.

A subsidiary company, known as South Atlantic Sealing Company Ltd., wholly owned by the Corporation, was incorporated in October, 1949. Two vessels acquired and refitted earlier in the year sailed from Wivenhoe (Essex) for the Islands on 10th September manned by Falkland Islands crews; one of them was skippered by the Managing Director of the undertaking. They arrived at Port Stanley on 17th November, having completed a journey of some 6,400 miles. A shore station, comprising industrial buildings and residential quarters, is being built at Albermarle Bay in West Falkland as quickly as possible so that sealing operations may begin during the Southern Winter of 1950.

Gibraltar: Atlantic Fisheries. Capital approved: £263,000.

In January, 1949, the Corporation received a proposal from a private individual to operate a factory ship with ancillary fishing launches off the West Coast of Africa to fish for and process sharks, tuna and crawfish. The advantage of a mobile unit over a shore-based factory is that production is continuous throughout the year; shore-based fisheries are unable to catch during the rainy season.

Agreement with the proposer was reached in March, 1949, and a suitable vessel of 2,000 tons, in sound condition and suitable for conversion, was

located and purchased in Copenhagen. There was some difficulty in finding a British shipyard willing to undertake a contract for conversion, but with the help and intervention of the Admiralty, for reasons of policy the work was finally placed with a British firm, in Grimsby. Even so, the cost of the work is very much higher than an estimate which was obtained from a German yard. The vessel was towed from Copenhagen and work on it began in October, 1949. The main engines, bought at second-hand and of German origin, have been reconditioned by the makers and have now been installed.

The plant on board will include quick freezing and cold storage, a modern shark liver oil extraction plant, fish fillet drying and fish meal plant, and a canning line. There will also be a workshop and space for making and repairing nets and lines. Orders for the necessary plant and equipment have been placed.

Ten seaworthy half-decked launches will be used for fishing and these will be carried on deck when the parent vessel is making passage. Produce will be landed periodically at suitable West African ports for trans-shipment to market.

An important source of revenue will be shark liver oil of high vitamin content. Dehydrated or dry-salted fish fillets will be marketed mainly in West Africa as a useful contribution to the protein diet of West Africans. Fish meal may also be marketed in West Africa and will supply the Corporation's Poultry Farm in the Gambia. Salted shark hides will be sold in the United Kingdom and the United States, as also canned tuna and quick frozen crawfish tails.

The originator of the scheme will be the manager of the undertaking. The assistant manager, master, chief engineer and other officers and technicians have been appointed. An advance party is already in the Gambia to gain fishing experience in local waters, and to recruit African personnel.

The vessel will be registered in Gibraltar which offers good shipping and ship-repair facilities; the undertaking will thus bring some benefit to that Colony by way of employment and trade. It is hoped to begin operations by the middle of 1950.

8. Forestry Division

During 1949 the main energies of this Division were engaged in work connected with the Corporation's three large forestry undertakings: British Guiana Timbers, Usutu Forests and Tanganyika Wattle Estates. These are described below. In addition, the Division has brought to an advanced stage the planning of two other projects, one a further large scheme in British Guiana and the other a smaller but nevertheless important scheme in Nigeria. Both these, it is hoped, will come into operation early in 1950.

The Division has endeavoured to maintain a balance in its plans for afforestation on the one hand and forest utilisation on the other. The management of forests and timber plantations on long rotations, for the production of tropical hardwood lumber, is considered to fall within the sphere of activity of the Colonial Governments and their Forest Departments. The task of the Corporation's Forestry Division is to produce timber and its related products on short rotations, particularly for industrial purposes. Generally it is possible to select for afforestation, lands which have little agricultural value. These are primarily lands carrying exploited or degraded forests or grasslands which have succeeded forests that have been totally destroyed. The re-planting of forests on these lands will help to

regulate water supplies, to check soil erosion and to restore soil fertility. It will also provide employment in districts where wage-earning opportunities are often small.

Afforestation commitments of the Corporation already involve the planting of approximately 150,000 acres and it is expected that this figure will rise to 180,000 acres by the end of 1950. Care has been taken to ensure that the sites selected for afforestation are suitable for the species which it is proposed to cultivate. In Swaziland the Corporation has been fortunate to secure the assistance of the leading experts on the silviculture of exotic conifers under South African conditions. In Tanganyika and Nyasaland a survey of possible sites for wattle growing was made by Mr. S. P. Sherry, silviculturist at the Wattle Research Institute, Pietermaritzburg, Natal, and the development of the Corporation's wattle undertaking in the Southern Highlands of Tanganyika is being carried out on lands which he recommended. In all investigations full advantage was taken of the advice of local Forest Department staffs and other official and private organisations with experience in the country concerned, whose help is gratefully acknowledged.

In addition to the investigations already mentioned, Divisional staff surveyed parts of East and Central Africa to assess the possibilities for producing raw materials for the manufacture of paper and rayon pulp. Conditions in Uganda and Kenya are excellent for the growth of eucalyptus and pines respectively. In Uganda, however, it was found that land could not be acquired for afforestation unless the production of pulp could be guaranteed and in Kenya the Government wished to reserve the responsibility for all afforestation schemes to its own Forestry Department. Even in the event of land becoming available in these Colonies, several considerable obstacles to development would remain to be overcome. These are the high costs of transporting chemicals from the coast and the finished product to market, the difficulty of finding adequate water supplies and of disposing of effluent.

In the sphere of timber utilization, the British Guiana undertaking is of major importance. Within a few months the two sawmills now operating will be converting at a rate of well over one million cubic feet of logs annually. The Corporation is already the largest producer of timber in the Colony.

The next step involves the opening up of the Bartica Triangle—an area of some 500 square miles. With the exception of greenheart, timbers of British Guiana are practically unknown in the world market. Steps are being taken to ensure the full utilisation of species of timber hitherto unworked on a commercial scale. As well as expanding existing markets in the United States and the United Kingdom, it is hoped to find new markets in the Caribbean Colonies which at present import large quantities of timber from dollar sources.

In Nigeria plans are well advanced for the formation of a subsidiary company to extract and mill timber from 400 square miles of concessions containing mahogany and other fine hardwoods. Operations are expected to begin early in 1950.*

UNDERTAKINGS

Tanganyika Wattle Estates. Capital approved: £650,000.

There is at present a deficiency in the world supply of organic tanning materials owing to the declining production of quebracho and chestnut.

* The Company was incorporated on 1st June, 1950.

The extract from wattle bark is of equal quality to quebracho and may ultimately replace the latter as the principal tanning material.

East Africa has several areas suitable for the cultivation of black wattle (*acacia mollissima*) and the Government of Tanganyika has been anxious to secure the development of a wattle industry in the Territory. In July 1949 after suitable investigation the Corporation undertook to establish a wattle plantation of 35,000 acres in the Njombe district of Tanganyika. At the appropriate stage a factory for extraction of wattle bark will be established. 3,000 acres of wattle will be sown in 1950 and 1955 and 6,000 acres in each of the intervening years, thus completing the whole planting in six years. Production of wattle extract from seven-year-old bark will begin in the eighth year. Ultimately 3,000 acres annually of ten-year-old plantations will be felled and replanted. The scheme involves construction of quarters for 27 Europeans and 800 Africans, hospitals, workshops and some 900 miles of earth roads within the estate. The bulk of the building programme will be completed within two years.

The Tanganyika Government, with the agreement of the local Wabena people, has granted a 99-year lease of the land. The district is virtually self-supporting in food supplies and the alienation to forestry of the land in question is not expected to cause any diminution in food production because maize and other crops can be interplanted with the wattle. Demarcation of the area has been completed. A manager and advance party arrived on the ground in October 1949 and a start has been made on land clearance with a labour force of 300. The bulk of the equipment will be delivered by February and ploughing will begin in April/May 1950.*

The Njombe district is at present wholly dependent on peasant agriculture, the productivity of which is declining through soil erosion. There is at present little paid employment and labour is recruited from the district for work in other parts of Tanganyika Territory. The prospects of regular work in their own district and provision of medical and other services have been welcomed by the African population.

Swaziland: Usutu Forests. Capital approved (for investigation and purchase of land): £250,000.

In June, 1948, shortly after the Corporation was formed, the Divisional Manager, Forestry, visited South Africa to discuss forestry matters with the High Commissioner and Dr. Ian Craib, the well-known South African silviculturist. In September 1948 proposals for a forestry scheme in Swaziland were received but it was not until April 1949 that the Corporation was able to negotiate options on acceptable terms on roughly 108,411 acres of grasslands along the Great Usutu River just within the western border of Swaziland. Detailed investigations followed in close collaboration with Peak Timbers Ltd., a South African Company with successful experience of similar work in northern Swaziland. As a result, in July 1949, the Corporation purchased the land in question and embarked on a scheme for the afforestation of the area, at least 75,000 acres of which are suitable for planting.

The plan is to complete afforestation with suitable softwoods within 6 years and work has already begun under an experienced manager. The scheme will be controlled directly by the Corporation but the services of Peak Timbers Ltd. have been secured as technical consultants, and the Managing Director of that company, Dr. Ian Craib, will act as adviser. Mr. C. S. Hubbard, until recently Chief Management Officer of the South African Department of Forestry, has been appointed General Manager.

* Ploughing began in May, 1950.

About 40 European field staff and 1,300 labourers will be recruited. The General Manager and advance staff arrived on the site in December, 1949, and preliminary work was started on surveys and the building of stores and temporary quarters. The bulk of the equipment required will be obtained from South Africa and is already on order. Planting has begun. It is intended that the timber from this large estate shall be sold as lumber, but other possibilities may be considered at a later date. The rate of growth of conifers in South Africa is about six times as fast as it is in this country and Scandinavia, but the number of areas in which they can be grown is limited.

British Guiana Timbers. Capital approved : total £1,713,000.

At the end of 1948 the Corporation acquired a lease of 93,000 acres of forest at Manaka on the east bank of the Essequibo River. Early in 1949 the Corporation purchased as a going concern the Bookers Timber Company including its properties at Georgetown and at Stampa Island in the Essequibo River.

A technical mission sponsored by the Corporation completed its investigations of the Bartica Triangle in May, 1949. Plans for large-scale extraction operations from the Triangle were made and land acquired for the construction of a sawmill with a capacity of 2½ million cubic feet of logs per annum. The construction of this large mill and the acquisition of machinery may take two years and until it is completed no large increase in production can be achieved.

The Government of British Guiana has agreed to grant to the Corporation a lease of some 500 square miles of greenheart forest in the Bartica Triangle. Negotiations for financial participation by other interests have reached an advanced stage and a company is likely to be incorporated in 1950.

In the meantime steps have been taken to increase output from the existing sawmills and to bring the Manaka forest into production. The latter has involved an aerial survey, the preparation of large-scale contour maps, demarcation of the area into working blocks and enumeration of tree species. These are necessary preliminaries to the preparation of a working plan and good progress has been made. The lack of official maps of the forest areas of British Guiana has resulted in considerable expense to the Corporation.

A 3-foot gauge logging railway at Manaka has been extended into the main concession area, and in spite of the delays in obtaining logging equipment, shortage of labour and bad weather, production began at the end of the year.

Log supplies from the various concessions have at all times been adequate to keep the sawmills fully occupied.

Timber sales to the United Kingdom and Europe during 1949 were good. Sales to the United States declined during the second half of the year, largely as a result of the coal strike in that country, but improved towards the end of the year when prices increased by about 22 per cent. as a result of devaluation.

Trade with the British West Indies has been handicapped by inadequate shipping facilities and high freights. This matter is receiving the Corporation's attention. Local demand remains steady but prices are controlled at a low level irrespective of the quality of the lumber.

The question of utilising the large stands of wallaba in the Bartica Triangle is being considered. Various uses for this species have been investigated but it is too early yet to determine its future.

The Corporation's timber interests have been managed throughout by Steel Brothers & Co. Ltd. who have introduced trained forest staff and engineers into British Guiana.

9. Hotels Division

The formation of an Hotels Division was announced in last year's Annual Report and the Division began work early in 1949. It was charged with carrying out a fairly extensive investigation of hotel needs in the Colonies and with examining certain specific hotel projects. As a collateral activity, it is at present organising the retail shops which the Corporation has decided to establish on some of its undertakings.

The Board realised at an early stage that adequate and up-to-date hotel accommodation would be an essential service to development of every kind, and there was no doubt from the information available that the general standard of hotels throughout the Colonies left room for improvement. This was confirmed by information gained from two tours of Colonial territories which the Divisional Manager made during the year to examine the special aspects of hotel design and operation under tropical and sub-tropical conditions. The first need is for well-equipped, efficiently managed, modern hotels to accommodate the commercial, industrial and official visitors who must be expected in increasing numbers as development progresses. It is the Corporation's policy to build such hotels where they are or will be needed most, and, while not aiming at luxury standards which would be out of place, to make these hotels attractive to tourists. Where possible the design and equipment of the Corporation's hotels will be standardised in the interests of both economy and efficiency. It is hoped that by their example and friendly competition, these new hotels will stimulate a general improvement in the services and amenities offered by Colonial hotels.

During the year 20 separate hotel projects were investigated and several have already been accepted in principle.* One proposal which involves the taking over of a recently opened hotel as a going concern will provide a valuable training ground for the Corporation's staff and an opportunity for testing methods of hotel management under tropical conditions.

The need for the Corporation to establish shops in connection with certain of its undertakings arose from the difficulties experienced by both European and local labour in obtaining any variety of consumer goods at fair prices. Many of the areas in which the Corporation is operating are removed from centres of population and are inadequately served by local traders. Elsewhere only by setting up retail shops of its own can the Corporation ensure that the cash wages and salaries it offers are a strong incentive to recruitment and hard work.

The organisation, which it was decided to set up in August 1949, will buy consumer goods from home and overseas sources for sale on a cash basis in retail shops for the benefit primarily of personnel employed by the Corporation in the locality. A General Manager was appointed in October 1949, and shops are being opened in Northern Nyasaland and Southern Tanganyika where the Corporation already has several other undertakings and where further development is expected in the next year or so.

The social benefit of this policy in backward areas is not inconsiderable. Where useful and wholesome goods at attractive prices are not readily available, newly earned wages are too often unwisely spent.

* Preliminary work on the construction of an hotel at Belize, British Honduras, was begun in March, 1950.

10. Marketing Division

This Division has undertaken the review of conditions governing the markets for produce from the Corporation's undertakings. It is intended that the Division shall act in an advisory capacity to the managers of the various undertakings and to the Divisional Managers concerned, and shall undertake the actual marketing of produce where necessary. Wherever appropriate, existing trade channels will be used.

At the present time the Government is the sole buyer in the United Kingdom of a number of the Corporation's products which will shortly be coming forward. Most of the commodities in this group are imported in bulk and under contract by the Ministry of Food or other Departments concerned. The Corporation will endeavour to obtain contracts with these Departments for its products provided that the prices offered are at least as good as can be obtained elsewhere. In the case of meat particularly, for which the United Kingdom is by far the largest market for exports, the negotiation of satisfactory long term contracts is considered necessary before production can be undertaken on any scale or with any confidence.

In the course of the year, discussions were held with the Ministry of Food in order to discover the terms on which the Ministry would be prepared to buy the products of some of the Corporation's actual or projected undertakings. These discussions raised a fundamental question of policy. The question at issue was no less than the place to be accorded to the Colonial producer in relation to the United Kingdom, Dominion and foreign producer. The discussions have not yet resulted in agreement.

11. Minerals Division

The sphere of the Minerals Division may be defined broadly as the development, and prospecting where necessary, of mineral deposits and prospects concerning which sufficient is known to indicate the possibility of the establishment of commercially profitable mines. It is the Corporation's view that exploration as such should not, save in exceptional circumstances, come within the scope of the Division. Exploration is a function of the Directorate of Colonial Geological Surveys and Colonial Survey Departments. The Division works in close collaboration with the Directorate and the Departments.

Mining development is indeed hazardous and it would be a fair and economic average if for every 20 prospects investigated in the field the Division succeeded in bringing one mine to the stage of profitable production. During 1949, 28 proposals were investigated by the Division, of which 23 were not sufficiently promising for one reason or another to warrant further action. Of the remainder the most advanced is the full-scale field investigation of the coalfields of Tanganyika.

Under an agreement between the Governor of Tanganyika Territory and the Corporation, the latter is given the disposition of coal-mining rights within the Territory and has undertaken the investigation and development of coalfields. The Tanganyika Government will be a partner with the Corporation in coal-mining by virtue of a substantial shareholding in any company which may be set up for that purpose.

During the year, a geological survey and prospecting operations, including diamond drilling by the Craelius (East Africa) Drilling Company, Ltd., under

contract, began in the Ngaka coalfield of the Ruhuhu Basin and this work will be accelerated and extended to other fields in 1950.

At present several seams are being investigated including one of good quality hard coal which has been traced for $1\frac{1}{2}$ miles. This main seam varies, at the outcrop, from 48 feet in thickness of workable coal on the northern extremity of the field to 15 feet further south. Thereafter it tails off into an unworkable section of alternating bands of coals, shales and sandstones. Sixteen tons from this seam are in process of undergoing a locomotive test by the Tanganyika section of the East African Railways.

The progress made and the results obtained by the end of the year are satisfactory as far as they go, but the investigation is only in its preliminary stages. What appears, from geological reconnaissance, to be a big coalfield might be only a fringe of a deposit along an ancient shore line. Figures which have appeared in the press purporting to estimate the tonnage of coal in Tanganyika are no more than an intelligent guess based on geological indications. They must not be mistaken for fact.

It is only by a detailed geological survey followed by an extensive programme of geophysical prospecting, pit sinking, sampling and diamond drilling, that the continuity of these coal seams at depth and over a big area can be proved beyond reasonable doubt and the tonnage of extractable coal estimated. Moreover, it is only by the building of a railway linking the coalfields with the coast that the potential mineral wealth of Southern Tanganyika can be economically developed. The Corporation's appreciation of the dependence of all development in this area upon improvement of communications, and of the fact that if a railway is to be built it must have access to ample fuel supplies of suitable quality, has led it to commit a large capital sum to an enterprise whose earning capacity cannot yet be gauged.

UNDERTAKINGS

British Guiana Consolidated Goldfields Ltd. C.D.C. debenture holding: £200,000.

As stated in the last Annual Report, the Corporation has made a loan to this Company secured by a convertible debenture for the purchase of a second gold dredge. This dredge was bought in California; it was dismantled and shipped to the Colony and arrived at the erection site at Tumatumari on the Pötaro River in September, 1949. This operation was carried out to schedule both as regards time and cost. Good progress was made in re-erecting the dredge until heavy floods hampered construction, but it is hoped to have it in operation late in 1950.

Commercial operations with the existing dredge on the Mahdia River have been satisfactory. 1,250,000 cubic yards were dredged in 1949, yielding 8,065 fine ozs. of gold. On 22nd December, 1949, the Company published its Annual Report for the financial year ending 31st July, 1949, which showed a profit before tax of £20,796.

12. Transport Division

The decision to set up a Transport Division was taken in October, 1949. Its functions will be threefold. Firstly, the Division will examine the transportation aspects of projects under consideration by other Divisions and will assess the effect of transport difficulties and costs upon their prospects

of viability. Secondly, it will compile information regarding ports and inland transport systems overseas with a view to advising the Equipment and other Divisions on the best routes for movement of materials to and from the Corporation's undertakings. Thirdly, it will investigate projects for transport undertakings in the Colonies.

The need for a separate Division to handle the considerable problems of transport by sea and overland was brought to the attention of the Corporation during the operation of the Lindi Convoy, which is described on page 18 of this Report. The information collected during that operation provided the new Division with the basis for its first project, and plans for the operation of a road transport undertaking in Southern Tanganyika were well advanced by the end of the year. Experience gained in the planning and operation of this project will provide data for the planning of similar projects elsewhere.

SECTION V

FINANCIAL REPORT AND ACCOUNTS

1. The Accounts for 1949

The Corporation's audited accounts for the year ended 31st December, 1949, are set out on pages 62 to 70. The accounts are drawn up to conform with the best commercial standards, as laid down in Section 16 (i) of the Overseas Resources Development Act, 1948, and in fact comply with the requirements of the Companies' Act, 1948. They consist of:—

- Statement 1. Balance Sheet of the Colonial Development Corporation at 31st December, 1949 (page 62).
- Statement 2. Consolidated Balance Sheet of the Colonial Development Corporation and its subsidiary companies at 31st December, 1949 (page 64).
- Statement 3. Consolidated Profit and Loss Account of the Colonial Development Corporation and its subsidiary companies for the year ended 31st December, 1949 (page 66).
- Statement 4. Table of Fixed Assets, Depreciation and Investments of the Colonial Development Corporation and its subsidiary companies as at 31st December, 1949, classified according to Divisions (page 68).
- Statement 5. Investments in, and amounts owing by, subsidiary companies as at 31st December, 1949 (page 70).

The Corporation's Auditors, appointed by the Secretary of State, are Messrs. Peat, Marwick, Mitchell & Co., whose certificate appears at the foot of Statement 1. Local auditors of high standing have been appointed for the subsidiary companies, whose audited accounts are incorporated in the Consolidated Balance Sheet. Local auditors have also been appointed for certain of the Corporation's executive undertakings.

As a substantial part of the Corporation's assets is held by subsidiary companies, a more informative picture of the Corporation's position is provided by the Consolidated Balance Sheet at Statement 2 than by the statutory Balance Sheet at Statement 1. After allocating an appropriate part of the administrative expenditure to development, the net deficit of the Corporation and its subsidiaries for the second year of operation is £292,001. As shown in the Consolidated Balance Sheet, the Corporation had, by the end of the year, invested the sum of £1,051,696 in land, buildings, and concessions and £1,110,746 in capital equipment necessary to develop the productive resources of these lands and concessions; while the expenditure directly related to development and land clearance amounted to £632,085. Thus approximately 90 per cent. of the Corporation's total drawings from the Colonial Office (£3,135,000) is accounted for by direct expenditure on the development of Colonial resources. An analysis of this expenditure and its distribution between the commercial and technical Divisions is provided by the Table of Fixed Assets, Depreciation and Investment at Statement 4. The balance of the sums advanced by the Colonial Office—about 10 per cent. of the total—is accounted for by the net overhead administrative costs of the headquarters and overseas organisation and by the net operating losses of the undertakings which have reached the production stage. An analysis of this expenditure is provided by the Consolidated Profit and Loss Account at Statement 3. Elsewhere in this Report are mentioned the problems presented by the period which must normally elapse before investment reaches its full yield. Nevertheless, in this very early year, goods to the value of £446,681 have been marketed and this amount has been offset against expenditure in the Profit and Loss Account.

Because of the nature of the Corporation's activities, it is inevitable that a large part of its capital expenditure must be classed as development expenditure. This represents the cost of planning and operating undertakings before they reach the production stage. In the case of forestry and certain agricultural undertakings, production and administrative costs will accrue for a number of years before production is reached, and the expenditure incurred in the meantime is regarded as development expenditure. Once the production stage is reached, administrative expenditure is charged to the Profit and Loss Account.

During the first two years, a large part of the work at Head Office and at the overseas offices of the Corporation has been concerned with the planning and operating of undertakings during the development stage. A proportion of the administrative expenditure of the commercial and technical Divisions and of the overseas offices of the Corporation, calculated by reference to the time spent by the officers concerned, has, therefore, been allocated to development expenditure. No part of Head Office general administrative expenditure has been charged to development: the whole cost of the non-technical services of the organisation remains a charge in the Profit and Loss Account.

Expenditure incurred on projects not pursued has been written off and no part of the administrative cost of planning such projects has, this year, been charged to development. In the circumstances non-productive expenditure of this kind is inevitable and must be proportionately higher in the earlier than in later years.

The Board have considered the problem of how to show in the accounts, in future years, expenditure on experiment and research which is in excess of the amount which the resulting enterprise can reasonably be expected by itself to bear. If the Corporation were already earning profits it would be in accordance with normal practice to allocate part of the profits to a fund to meet expenses of this kind. In default of such a fund, it is the Board's

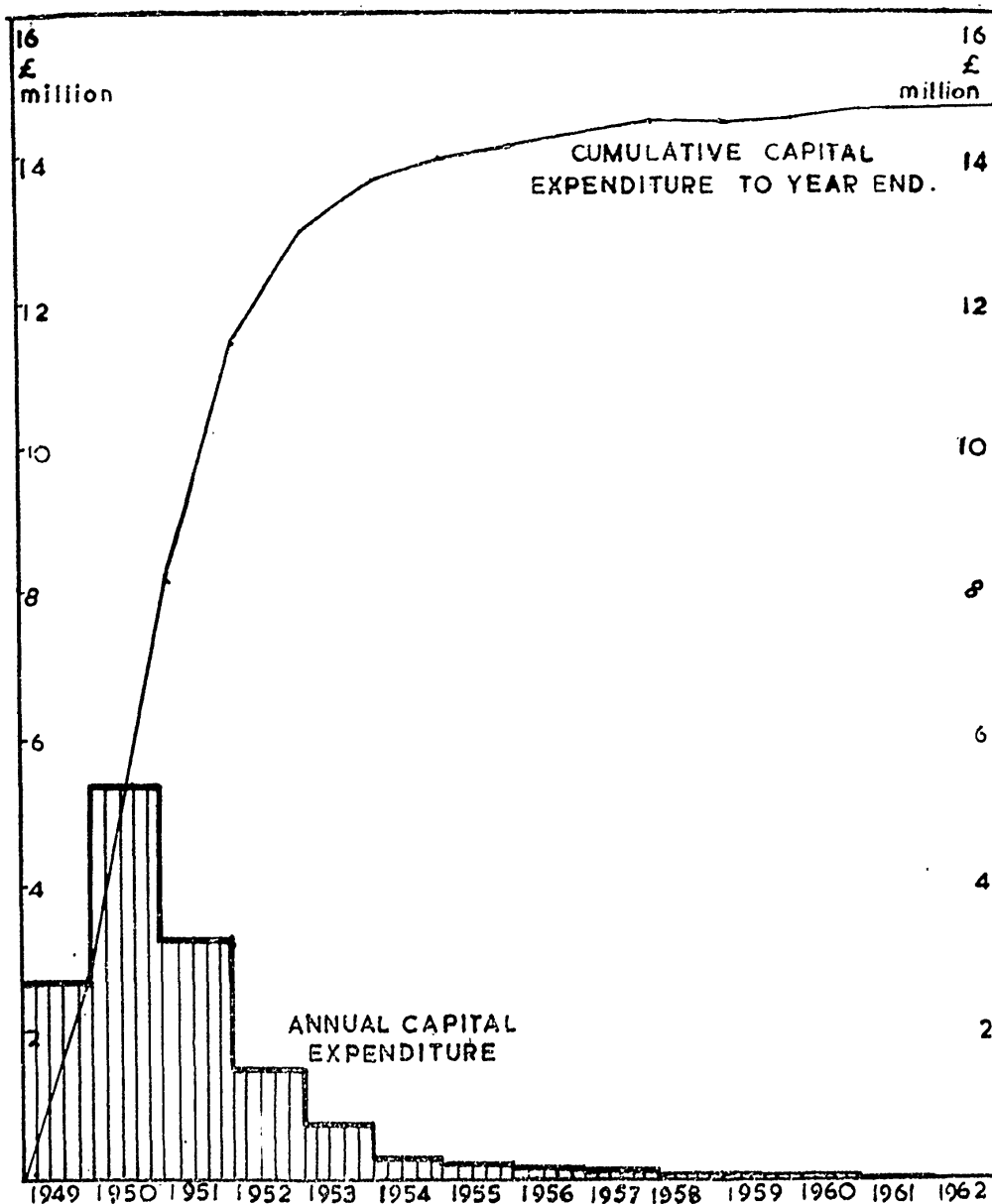
intention to charge expenditure on research and experimental or pilot schemes to a special account in all cases where the amounts spent cannot be recovered from the enterprise which is the direct beneficiary. The expenditure in this account will be carried forward to be written off against profits in later years.

2. Phasing of Capital Expenditure

The total amount of capital sanctioned by the Secretary of State and committed in respect of the 28 undertakings accepted by the Corporation before 31st December, 1949, is £14,187,000.

The following graph shows the estimated phasing of the capital expenditure on these undertakings.* (The shaded rectangles represent the annual expenditure and the curve the cumulative expenditure.)

EXPENDITURE ON INVESTMENT PROGRAMME AS APPROVED AT END OF 1949



* Statements concerning the rate of investment and the length of development period which the Corporation expects, are based solely on estimates, extending in some cases, several years into the future. Such estimates must obviously be presented with reserve. They may be invalidated not only by unexpected physical conditions at the site but also by changes in the availability of equipment, stores and personnel.

3. The Problem of the Development Period

The first two years of planning and investigation have revealed that most of the Corporation's investments will not begin to yield at their estimated full rate for a considerable period. As is shown by the graph above, 90 per cent. of the estimated capital cost of the 28 undertakings already launched will have been incurred by the end of 1952, but the total earnings of these 28 undertakings are not expected to reach 90 per cent. of their eventual level for about 10 years after that. The development period varies according to the nature of each undertaking. As will be expected, fishing and industrial projects require the shortest development period. In two of the fishery undertakings, for instance, development periods of less than two years are envisaged. Agricultural and afforestation projects require longer development periods. In the case of the latter, periods of 15 to 20 years are not uncommon. For agricultural projects, land clearance, irrigation and drainage works, the building of access roads and essential housing must occupy periods varying from 1 to 3 years. If tree crops are to be planted a further period must elapse before the first full crop is gathered.

The length of the development period is very important from a financial point of view. Only a very limited class of undertaking can bear a development period of the order of ten years. If a project with a development period of this order is to become a commercial proposition it must show promise of earning at a high rate during the succeeding years when it is productive. Only the prospect of an eventual high rate of earning can compensate for the large risks and expenses of the unproductive period.

The interest which the Corporation shall pay on Colonial Office advances is determined by the current rate of interest for Government credit in redeemable securities. In practice the Corporation pays no interest during the development period and will, therefore, pay a higher rate thereafter. The consequence of this and other heavy charges which are imposed upon the mature enterprise by a long development period in which no earnings accrue are not perhaps always appreciated, although they are not peculiar to the field of activity covered by this Report. The Board are however obliged to examine with particular care projects involving long development periods. While the earnings yields required to offset the deferred charges are sometimes obtainable in mining, manufacturing or merchanting enterprise, yields from agricultural undertakings are only in exceptional circumstances sufficient.

4. Financial Control

Because of the wide distribution and diverse character of the Corporation's business, the organisation required for administrative and financial control must necessarily be thorough. This organisation has been built in a very short time so as not to delay the urgent tasks of development. Nevertheless, the Chairman and the Board have regarded it as imperative to maintain from the start a close control of expenditure throughout all their undertakings. Despite the difficulties inevitable in the early stages of a new enterprise, the Board are glad to be able to report that the system of financial control is on the whole working satisfactorily. Regular review of the progress of each undertaking is maintained by periodic financial statements. During

the first phase these show actual expenditure on development and make it possible to compare performance with the programme laid down.

The Corporation's financial administration conforms to the best standards and the Board are confident that it will meet the most exacting requirements of His Majesty's Government and Parliament. The Director of Finance in London is directly responsible to the Chairman for the maintenance of strict financial control. Under the Director of Finance there are four regional finance directors responsible for the control of finance and for instituting and supervising the accounting systems of the undertakings within their region. In the case of the larger undertakings there is also a resident accountant who receives his instructions on financial and accounting matters from the regional director. Where the size of the undertaking does not justify the employment of a resident accountant, provision is made for simple returns to be forwarded regularly to the regional office.

All senior members of the accounting staff are members of recognised professional associations and possess wide commercial and financial experience.

SECTION VI

ORGANISATION AND STAFF

The Corporation's plan of organisation was described in last year's Report. The main layout of the headquarters' organisation (see Appendix) has (with certain modifications due to expansion of work) proved itself in the Board's view to be a sound set-up. Some months after the death of Sir Frank Stockdale, Mr. Robin Brook was appointed as Deputy Chairman. The Chairman has been able to delegate an important part of his executive duties to Mr. Brook. The only other major change in the headquarters' organisation is the establishment of a Commercial Committee, composed of qualified members of the Corporation staff, to examine the commercial merits of projects being prepared for the Board's consideration. A Commercial Manager (Mr. R. V. Cable) has been appointed as Chairman of the Committee. The Commercial Committee, by relieving the Controller of Plans (Mr. H. T. Weeks), has made it possible for the latter to give more consideration to matters of general policy and principle, upon which the Chairman and the Board wish to be more particularly advised. The duties of the Controller of Operations (Sir Ernest Wood) as the head of the operational wing of the Corporation remain the same. A separate Transport Division has been set up and the existing Forestry Sub-division has been made a separate Division.

There has been some modification also of the Corporation's overseas organisation, which has resulted in a greater degree of decentralisation. As reported last year, it was considered that the regional organisation, with one main office in each of the five major geographical regions, would facilitate the investigation of projects during the first phase of the Corporation's growth. This first phase is now coming to an end and the need for separate representation in each Colony where development has been undertaken has become apparent. The Board have therefore decided upon a gradual transfer of representative functions from the Regional subsidiary

companies to specially-appointed representatives in certain Colonies. Special representatives have, so far, been appointed only in those Colonies where the Corporation's plans or operations are extensive. In some cases, the manager of an important undertaking will act as the Corporation's representative in the Colony concerned and no separate appointment will be made.

The Colony representatives will perform certain liaison duties for the Corporation's undertakings already established; but it is the Manager of each undertaking who is responsible to the Board, through the appropriate Divisional Manager at Headquarters, for the commercial operation and success of the enterprise under his charge. In cases where the Corporation is associated with other parties, the enterprise in question is usually incorporated as a separate limited liability company. Five such companies were incorporated during the year, and eight more were in process of being incorporated.

The Board have adopted a plan of organisation involving a high degree of decentralisation, because they are convinced that success in the field depends upon the recruitment of personnel of the right type and the delegation of authority to them; but, because the individuals concerned must at once be technically competent and experienced in management, they are not easy to find. Good technicians are almost as scarce as good managers and a combination of both in one man must, of necessity, be even more scarce. Wide advertisement and meticulous selection have been necessary. In total, the Corporation has dealt with nearly 10,000 applicants for appointments and has engaged a total of 349, of whom 216 are attached to Headquarters organisation in London, 36 are attached to the regional offices and 97 are managerial and technical staff on the Corporation's undertakings. These figures do not, of course, include the large number of staff and workers engaged locally in the Colonies.

The problem of staff recruitment should lessen as time goes on, since it should be possible for the Corporation to fill some or many of the senior posts from within the organisation. With this in view, the Corporation has approached the Universities and Technical Colleges to invite applications from newly-qualified technicians and scientists who, after training and experience on the Corporation's undertakings, will become useful executives of a type which is now in short supply. This scheme has so far been limited to Agriculture, Animal Products, Forestry and Minerals Divisions, and so far, nine appointments have been made.

During 1949 the Corporation started a contributory superannuation scheme, the funds of which will be used to buy annuities for retiring members of the staff. The scheme also provides life assurance amounting to one year's salary, up to a maximum of £2,000.

The movements of personnel involved in the staffing of new undertakings and in the investigation of projects has been considerable. During the year 158 individuals have been moved overseas for permanent duty and, where accommodation has been available, it has been possible to send families as well. Fifty-four families were sent abroad during the year. Because of the time-saving factor, most of the travel undertaken by members of the Board and senior staff has been by air. Very extensive use has been made of the scheduled services of the British air corporations and close co-operation is maintained with the British Overseas Airways Corporation.

SECTION VII

EXTERNAL RELATIONS

1. Government Departments

In their last Report, the Board felt obliged to record their concern lest the controls exercised by His Majesty's Government through the Secretary of State for the Colonies, and the Treasury, should prove so onerous that the Corporation would not be left with sufficient freedom and independent initiative to carry out the task for which it was set up by the Overseas Resources Development Act of 1948. The Board are therefore glad to be able to report that agreement has been reached on the interpretation of the Act in respect of the degree of independent judgment and action it conferred upon the Corporation, and upon the procedures by which the Secretary of State shall exercise his powers of general direction. It has been agreed *inter alia* that the Corporation shall be the sole judge of the commercial soundness of any project submitted to it, a principle which the Board regard as indispensable to the discharge of their task. The Corporation, of course, recognises the Secretary of State's overriding responsibility which requires that he shall have full information on the activities of the Corporation, so that he may be in a position to give the Corporation such general directives as are contemplated in the Statute. The provision of routine information is now ensured by an agreed procedure governing the Corporation's application for, and the Secretary of State's sanction of, capital investment by the Corporation, and by quarterly reports on undertakings and projects.

The subject of the Corporation's negotiations with the Ministry of Food has already been mentioned in the report of the Marketing Division on page 38.

2. Colonial Governments

The Board have also to report the continuance of friendly and close co-operation with the Governments and Government Departments of most of the Colonies from which proposals for development have been received. It will be appreciated that the co-operation and assistance of the local administration is desirable, to say the least, for the success of all the Corporation's undertakings. Indeed, unless a sufficient minimum of consideration and active assistance is forthcoming, the Corporation would hardly feel justified in considering any substantial investment in the area concerned.

3. The Press

In its relationship with the Press, the Corporation follows a policy of confining its public announcements to statements of a factual nature and has avoided, as far as possible, the rousing of hopes or the making of promises which it is not confident it can fulfil. It can be said that, with some exceptions, the Press of the United Kingdom has been generous in its understanding of the difficulties and inevitable delays which sound economic development must face. The publicity given to Colonial affairs at the time of the Colonial Exhibition did much to acquaint the public with Colonial problems.

The Chairman and members of the Board believe that the work upon which they have been engaged for over two years is serving the interests of the nation and the Commonwealth. Colonial development will inevitably encounter difficulties, setbacks and even some failures, and it therefore calls for a measure of sustained public support for the encouragement of the overseas staff.

4. Private Enterprise

In financial and commercial circles, there has been in general a realistic comprehension of the considerable problems with which the Corporation is confronted. Private concerns with interests in Colonial areas appreciate the long-term character of most of the development projects undertaken and their ultimate value to the sterling area economy.

The Corporation has, in general, received willing co-operation from private enterprise and it is pleased to be able to report that in several of its undertakings it is associated with private commercial firms. This policy will be maintained and wherever possible extended, especially in cases where the private enterprise partner can contribute valuably to the Corporation's ever present management problem.

5. Negotiations with the International Bank for Reconstruction and Development and the Possibilities of American Investment in the Colonies

During the greater part of the year under review the Chairman, with the authority of the Board, was engaged in negotiations with the International Bank for Reconstruction and Development for a dollar loan to finance the purchase of essential equipment not readily obtainable from soft currency sources. The initial loan was to have been for \$5 million and provision was to have been made for subsequent increases in this amount. After prolonged discussion, a loan of \$5 million was provisionally agreed to by the Bank, upon certain terms. The Board, however, felt unable to accept the non-financial covenants in the standard form of the agreement proposed by the Bank. Attempts to secure satisfactory collateral assurances as to how these covenants would be operated in practice were not successful. While the Bank's terms are doubtless appropriate and reasonable in certain other cases, they are not, in the Board's view, appropriate to a loan or credit for mobile equipment which would be used in the multifarious undertakings of this Corporation. Negotiations were therefore terminated.

In view of certain misconceptions about the Corporation's action in this matter, the Board feel it desirable directly to acquaint the Secretary of State and Parliament with the reasons for their action. It should first be understood that the security offered for the loan was not and could not be challenged. Apart from the fact that the assets of the Corporation amounted to many times the amount of any loan contemplated, the capital and interest and the transferability of both were to have been guaranteed by His Majesty's Government.

However, in spite of the impregnable security offered, it appeared from the agreement propounded by the Bank that it was desired to make the loan conditional upon the Bank's being able to exercise a documentary supervision over the numerous undertakings in which some part of the

equipment purchased might at some time be used. The Board felt that this requirement was unacceptable in principle and that in practice it would lay an unnecessary burden upon the personnel engaged, particularly in the smaller undertakings.

It may be remarked that since these negotiations were undertaken, much equipment for which dollar expenditure was envisaged a year ago is becoming increasingly available from sterling or soft currency sources, and this has reduced the Corporation's total requirements of dollars. At the same time, the devaluation of sterling has made it necessary to review all capital expenditure to be incurred in dollars. These changes in the situation may justify the hope that the Corporation's residual requirements for dollars can continue to be met from other sources. The Corporation has every confidence that, with the help of modest allocations of dollars in the early years, it will, within a short time, become a net dollar earner. The Corporation has the most amicable relations with the International Bank and will continue to consult with the Bank on the subject of its dollar needs as its operations expand.

In the course of these negotiations the Corporation was prompted to give some general consideration to the possibility of American investment in the Colonies. In some quarters it may have been expected that President Truman's Fourth Point policy would be implemented in respect of the British Colonies through the agency of the Corporation. Although the Corporation felt obliged for special reasons to decline this particular loan, it is bound to do all in its power to further a policy outlined by the American President and acclaimed by His Majesty's Government. There is, however, a distinction between public and private investment. The investment of American public money in the Colonies through the International Bank or any other such agency would be expected to take the general form of fixed interest loans guaranteed by the Government of the borrower's country. It was this kind of loan that was provisionally offered by the Bank to the Corporation. Private investment, on the other hand, whatever form it takes, will generally be risk money and will only be forthcoming if the returns offered are commensurate with the risk believed to be involved.

If it is intended to implement the Fourth Point in part by the investment of public money in the form of fixed interest loans, it is possible that the public utility schemes included in many of the Colonial Ten Year Development Plans would provide a better field for this type of investment than the kind of undertakings in which the Corporation is engaged. The latter are not by their nature of a type calculated to attract fixed interest loans but some of them could, under certain conditions, attract private risk capital.

The advantages to the Corporation of participating with American private enterprise would be greater access to American "know-how" and markets. The Corporation would indeed welcome the skill, enterprise and drive which are characteristic of American business. The American private investor is, however, believed to be more reluctant to take his money abroad than his British counterpart. This is not only because there has been and still is ample investment opportunity in America itself, but also because of the heavy risks, both political and economic, which the American investor believes he takes when he invests his money in territories and enterprises which America does not control. The figures for American private overseas investment during the period 1946-48 show that of a total direct investment of \$1,650 million some 50 per cent. was invested in Central and South America, and less than 2 per cent. in British Colonies. Some 73 per cent. of the total was invested in the petroleum industry. Whatever may be the validity of

an investor's fears on grounds of the political insecurity or economic instability of the British Colonies, it is unlikely that the kind of enterprise in which the Corporation is interested will, in present circumstances, prove to be to any large degree attractive to the ordinary American investor. This position may decisively change when, in the course of a few years, the spread and magnitude of the Corporation's activities build up into a demonstrably economic institution through which American dollar investment in various forms can be canalised. But the present is the period of risk and for the present, if some of the more immediate hindrances can be removed, the best possibility of increasing participation in certain types of Colonial production is by attracting American concerns specifically interested in the American market for the commodity in question or possessing special techniques for its production. Initial investment made with one of these special motives might lead to further investment in the Colony in question when the American interests had gained confidence in the enterprise and knowledge of local conditions.

Particular deterrents to the American investor in British Colonies exist, or are thought to exist, because of the operation of the Exchange Control. It is now generally appreciated that American private capital will be attracted to the Colonies only if the convertibility into dollars of the total net earnings of investment is guaranteed, and also the reconvertibility of the initial capital, should the investor wish at any time to withdraw. The recent decision of His Majesty's Government to permit American capital invested in approved undertakings in the United Kingdom to be reconverted into dollars up to the amount of the initial investment and to invite the Colonial Governments to adopt a similar policy, is particularly welcome. At the time of writing, it is believed that many Colonial Governments have conformed to this policy.

Double taxation is another possible deterrent to American investment in the Colonies. The agreement reached between His Majesty's Government and the United States' Government on double taxation relief does indeed provide for its extension to the British Colonies, but the American Government has not yet agreed to give effect to this provision, although certain Colonial Governments have intimated their desire to benefit by it. If it is desired to encourage American investment in the Colonies it must be hoped that the American Government will be willing to extend to American investors the relief which is already given to British investors.

Certain changes in United States tax law have already been proposed with the object of encouraging investment in under-developed territories. These proposals include the extension of double taxation relief to companies owning a minority interest in a foreign subsidiary, and arrangements whereby losses in one overseas country can be offset against profits earned in another, in computing the credit allowed for foreign taxes.

Measures such as these will, it is hoped, encourage the flow of American capital into British Colonies.

SECTION VIII

**SPECIAL FACTORS AFFECTING THE COSTS
OF COLONIAL DEVELOPMENT
UNDERTAKINGS**

The problem of American investment in the Colonies has already been discussed in Section VII of this Report. But when the particular difficulties arising out of exchange control and the American tax law have been set aside, the obstacles which face the American investor are the same as those which face all extra-territorial investors. These obstacles in the main arise from the fact that, while a private investor will normally look for a somewhat larger return on investment overseas than he would expect at home, the costs of starting new enterprises in the Colonies have become so high that Colonial investment no longer offers the prospects of the same returns which, in the past, have made it possible for Colonial enterprises to compete in the metropolitan money markets. Some of the special factors affecting the costs of development in the Colonies which have influenced the Corporation's business in the course of the past year are discussed below.

1. Taxation

Measures have been taken by many Colonial Governments to encourage investment from all sources. The most important of these is the waiving of import duty on development goods and on such supplies as fuel for agricultural tractors. However, it is still true that Colonial taxation systems, which are varied, are often hostile to private investment—especially investment of a long-term or risky nature. It is understandable that Colonial Administrations should look to the levying of company tax to provide a substantial part of their tax revenue. Most Colonial company tax systems are based on the principles of United Kingdom income tax law in which no provision is made for relief for development undertakings of the kind which are needed in the Colonies. It would appear that certain changes in Colonial income tax ordinances, which would involve only a small sacrifice of current revenue, would greatly improve the prospects of some types of long-term development projects which, if undertaken, would eventually bring much additional revenue to Colonial exchequers. In the Corporation's view certain measures of standardization in the economic field may prove easier of attainment and more directly beneficial to some territories than measures of political integration which are so much more in vogue to-day.

Possible modifications of existing tax ordinances would include allowances for development expenses, and in particular for land clearance costs, to be set off against taxable profits. A further modification which would help projects with very long development periods would be the extension of the period allowed for the carry-forward of trading losses from the 5 or 6 years which is now general to perhaps 8 years. Development enterprises would benefit not only from the extension of the period allowed for carry-forward but also from the abolition of the clause contained in some Colonial ordinances which restricts the set-off of losses in any one year to not more than half the profits of that year. While no doubt this provision was introduced to ensure that the Colony received a steady revenue from tax on trading profits, it is an unsatisfactory feature in that, with increasing rates of tax, it means that an enterprise is burdened with a heavy liability at a time when it is trying to consolidate its position after a period of trading losses.

Certain Colonies have already introduced legislation to assist development enterprises, in some cases against considerable local opposition. It is to be

hoped that all Colonies in which development is contemplated will consider the desirability of similar or even more comprehensive steps. It may not be generally appreciated that technical points arising from the tax or land law of a Colony can materially affect the rate and type of new investment in that Colony.

In particular cases the Corporation has been able to reach satisfactory agreement with the Colonial Governments on such matters as rents, royalties and the waiving of import duties on development goods. The Corporation is bound to record its appreciation of the goodwill with which its various requests have usually been met, but it is convinced that greater uniformity of practice in these matters is both possible and desirable.

2. Land Tenure

Land tenure is another factor influencing the calculation of costs. In order that the amortization programme for heavy initial capital expenditure shall be realistic in relation to the revenue to be expected from the undertaking, it is essential that the Corporation should be assured of security of tenure of the land it is using for a period adequate for the spreadover of this programme. In practice this means, in the case of leases or rights of occupancy, not less than 99 years for agricultural, ranching, afforestation and similar long-term projects; even this is barely adequate when no compensation is payable at the end of the term for the extensive improvements effected by the Corporation and which endure for the benefit of the Colony.

Colonial law frequently provides, particularly in under-developed areas, for the revision of rents payable under leases, or rights of occupancy, at intervals to be fixed at the discretion of the Governor, but not exceeding 33 years. The Corporation, while asking no more than the law allows, when assessing the commercial possibilities of any long-term undertakings, has felt bound to represent to Colonial authorities its need to know within reasonable limits its future commitments for any such items as rents.

In most cases Colonial legislation places certain limits on the extent to which the rent may be increased on any revision; in some cases a maximum percentage increase is established, in others it is provided that, in re-assessing the rent, a Governor shall take no account of the increase in the value of the land resulting from the efforts and capital expenditure of the occupier. Where no such limitation is imposed by law, the Corporation has felt bound to request the inclusion of similar provisions in its leases or rights of occupancy. This arrangement, in the Corporation's opinion, is fully in accord with the intended purpose of the legislation which was designed to ensure that Colonial Governments should not be denied their share of material development without, at the same time, unfairly penalising those to whose effort the development was largely due.

Governors and other authorities are coming to appreciate the importance of these considerations and to realise that the development of the land of a Colony, which is an essential preliminary to the improvement of conditions for its inhabitants, can proceed only on a basis of reasonable security. The Tanganyika Government at the end of the year reverted to the previous practice of granting 99-year terms in place of the 33-year periods which were the maximum offered in the last few years. This widely welcomed change will make it possible for the Corporation to put in hand projects which otherwise could not have been contemplated. In many other territories satisfactory agreements of a similar kind have been reached. In others,

again, insistence on less favourable land tenures, mistakenly maintained in the belief that they will "protect" the community, is delaying measures which could substantially improve its economic status.

3. The High Cost of Essential Services

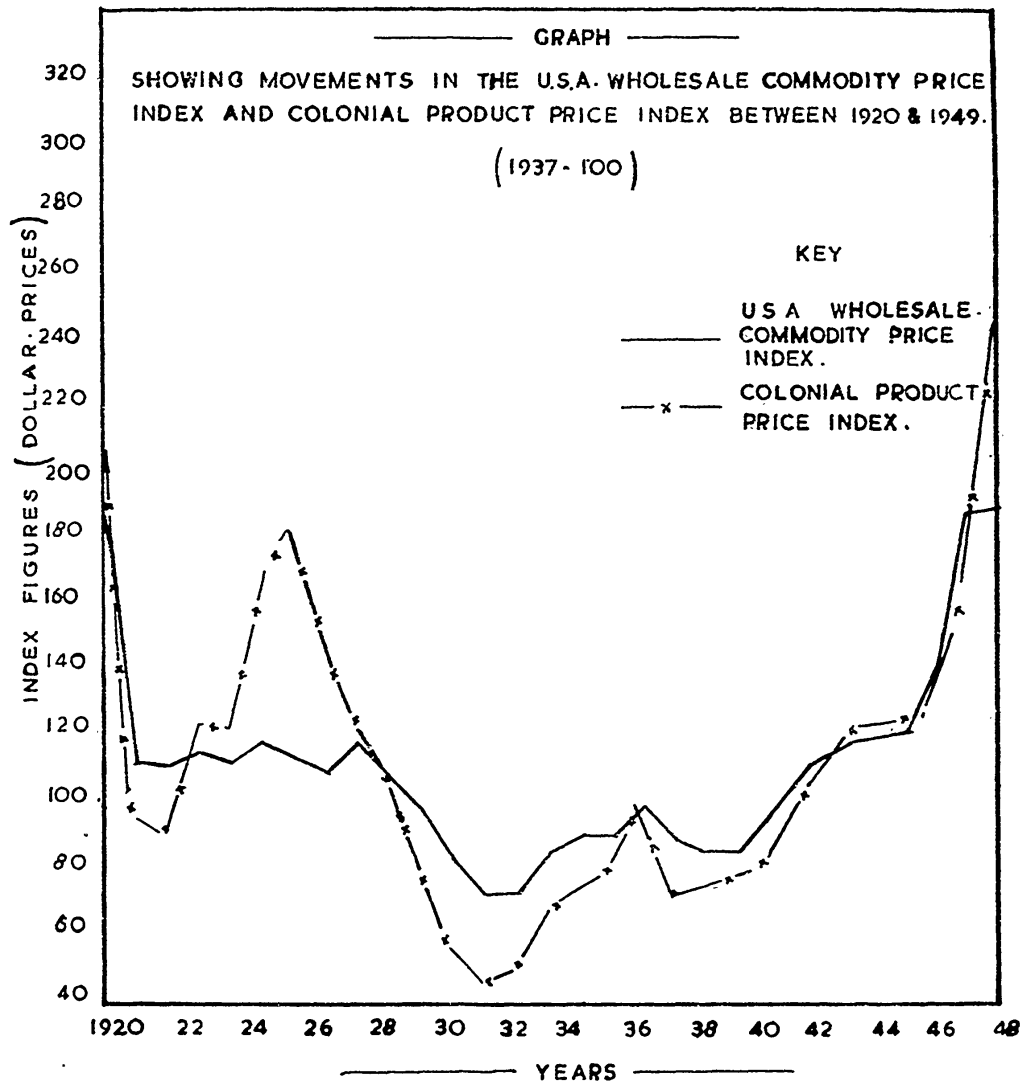
Among the main reasons why Colonial development undertakings cannot, in many cases, expect to earn at a rate sufficient to attract the ordinary outside investor, is the exceptionally high charge for overheads involved where new resources are brought into production in economically backward territories. All productive enterprises must, of course, carry overheads in the form of buildings, welfare services, water supplies, drainage, roads, etc., whether by payment of rents, rates and taxes or as a capital charge. But where new roads or railways have to be built over long distances and the materials and labour for the construction of all the necessary amenities on the site have to be conveyed from afar by improvised means, the capital cost of the initial installations may amount to more than the undertaking can eventually pay for even under favourable circumstances. The calculation of costs such as these has led the Corporation to reject proposals for certain schemes in undeveloped territories, which on the basis of normal overhead charges would have had every chance of success. Collectively a number of enterprises could carry the costs involved, as they do in developed areas, but until a method is found of relieving the first enterprise in a new area of the whole cost of services, which will afterwards in most cases be enjoyed by others as well, there will be a tendency for all kinds of undertakings to select sites in the more developed rather than in the less developed parts of the Colonial Empire, and particularly to select sites near existing roads and railways instead of in the more remote districts where development may be the more desired.

It is true that most existing Colonial enterprises have had to create their own amenities and basic services, including roads, and have carried the cost; but these enterprises were able to proceed at their own pace, at a time when the costs of the capital works involved were not only less in relation to expected profits, but also the standards required were lower. While the Corporation welcomes the improved health and social welfare conditions which have been achieved in some Colonies by the enforced compliance with approved minimum standards, there must clearly be some balance between the standards of social welfare required and the means available to support them, unless of course the British taxpayer is to be called upon to fill the gap.

SECTION IX

MARKETS FOR COLONIAL PRODUCE

The future trend of commodity prices must affect the profitability of the Corporation's undertakings more than any other factor. Heavy capital investments are being undertaken at a time when all prices are at peak levels and most of these investments will not mature for several years. Almost all the products from which the eventual revenues will be derived are primary products whose markets are most vulnerable to the vicissitudes of supply and demand; and it is only reasonable to expect a marked fall from present levels before any substantial production from the Corporation's undertakings can reach the market. The high degree of instability which



has characterised primary product prices in the past is illustrated by the following graph, showing the movement of the weighted index of prices of Colonial products in the United States, as compared with the United States general wholesale commodity price index.

In assessing the commercial merits of Colonial development projects it is necessary to estimate the long term demand for Colonial products in the various markets and to discount shortages which, although prominent now, may be fully or more than fully supplied before new production can enter the market. As has been remarked previously in this Report, the dollar shortage and the devaluation of sterling give added security to the markets for Colonial produce within the sterling area and, in the case of some commodities at least, will tend to stabilise prices. But these factors, while making it the more desirable, from the point of view of the balance of payments, to sell in dollar markets, contribute nothing towards the future security of those markets, nor do they give sterling area producers any greater access to them. American imports of Colonial primary products are particularly sensitive to changes in the level of business activity in that country.

SECTION X

COLONIAL ECONOMIC BACKGROUND

The Corporation's interests are primarily economic, but they are naturally affected by developments in the political and social fields and the Corporation cannot disregard such considerations. The overall rate of progress will be retarded if advance in any one of these three sectors is pushed too far ahead of the others. Many instances show that willingness to invest private capital in Colonial enterprise can be adversely affected by political uncertainties. In considering long term schemes in particular, the private investor cannot tell what will be the conditions for the continuance of private commercial activities or alternatively, the terms of compensation, if and when a change of sovereignty is brought about. Confidence will be impaired if pressure towards this end goes ahead of the growth of a literate electorate, an experienced administration, and an adequate legal code.

In many respects the Corporation's policy must be influenced by the same considerations which govern private enterprise. For example, the commercial case for developing manufacturing industries in the Colonies to reduce dependence upon imports is often more delicately balanced than may appear to the Colonial community. Here, as in political matters, attempts to improve the lot of labour in advance of productivity must confront the Corporation with very difficult questions. The Corporation can, under its Statute, invest, and the capital invested can survive only in undertakings in which production costs will, in due course, become economic.

The rate and direction of development must necessarily be affected by different factors in different Colonies and the answers to the questions, "Why does the Corporation not do more" or "do it sooner?", or the even more uniformed question, "Why is the Corporation so exacting?" must be different in each case. After only two or three years' experience the Corporation certainly cannot attempt to survey all the factors which will shape the economic future of the Colonies, nevertheless some observations on the problems encountered may serve to indicate, in some measure, the answers to these questions.

In the *West Indian island Colonies* the population problem has become so acute that it is generally agreed that the solution to the economic problems of this region must include some reduction of the population by emigration, possibly to the mainland Colonies: British Guiana and British Honduras. The extreme pressure of population on the available land in the island Colonies is illustrated by the comparative population figures. Barbados, for instance, which has a purely agricultural economy, has a population of 1,192 persons to the square mile; British Guiana has less than 5; the average for the Colonial Empire is 34 and the average for a highly industrialised country such as the United Kingdom is 500. The agricultural land of the islands has generally been over-exploited, soil erosion has become a serious problem, yields are low and the population is to a large extent dependent on imported food, for which its present export surpluses are inadequate to pay. Increased food production and increased yields from the land are essential first steps towards raising the deplorably low standards of living; but in certain islands it has proved impossible to purchase estates at an economic price on which a start can be made with improved methods.

This difficulty has prevented the Corporation from entering directly into the sphere of agricultural production ; nevertheless, certain important steps have been taken to provide services to producers which will increase their export earnings or increase their yields for domestic consumption. The development of services to primary producers appears at present to be the main field for the Corporation's activities in the islands.

In the *mainland Colonies* the scope for development is considerable. The Corporation is already committed to undertakings in both *British Guiana and British Honduras* which will increase their export earnings. This is particularly important in British Honduras from the point of view of the Colonial economy which in the past has been almost wholly dependent upon two export industries, mahogany and chicle, the revenues from which are now declining ; but the Corporation recognises the equal importance in both Colonies of increasing the production of food for local consumption. Even the present small populations are largely dependent upon imported food and if development is to be planned so as to absorb immigrants from the island Colonies, it must be based upon an adequate and efficient agricultural industry. The rate at which developments such as these can be pushed forward will depend more upon the construction of roads and railways than upon any other single factor.

The limiting factor of communications can be illustrated by examples from many Colonies. In *North Borneo and Sarawak*, for instance, the development of the interior must await the building of roads, which at present extend only some 30 miles outside the towns. Export possibilities for most commodities produced in Borneo are at present limited by the excessively high freight rates on the Borneo-Singapore route and trans-shipment charges at Singapore. The development of agricultural production for export will depend, in the first place, on the extent to which production costs can be kept low enough to permit these products to compete in the world markets and, in the second place, on the extent to which a greater volume of trade will succeed in forcing down freights by attracting shipping competition. The possibility that certain scarce fibres, cocoa and vegetable oils might fulfil these conditions is being explored.

The *Federation of Malaya* has been and still is, in spite of recent political troubles, one of the most prosperous countries in the Colonial Empire. Its prosperity is based almost wholly on tin and rubber. The latter commodity is certainly faced with difficulties arising from the development of synthetic substitutes, particularly in America, but it is believed that the re-grading of rubber on the basis of its technical properties will improve the competitive position of the natural product. The industry is largely in the hands of well-established concerns whose resources of knowledge and capital are adequate to the task. The Corporation, as a newcomer, is unlikely to be able to assist except by the provision of processing plant or other facilities for small-holders, who lack capital and cannot at present compete with the new standards set by estate producers.

A wider field of investment opportunity for the Corporation is provided by the need to promote other agricultural enterprises which will diversify production and broaden the basis of the country's economy. In this sphere the Corporation, in association with other interests, is planning to establish cocoa production and other plantation crops.

In both *Malaya and Singapore* the Corporation has already been called upon to fulfil the functions of a finance house, providing fixed interest loans to public utility undertakings. It is possibly a symptom of the political insecurity which underlies the present prosperity that, while there is private

risk capital available for certain types of industrial and commercial activity, it has been necessary to draw upon United Kingdom resources for substantial amounts of loan capital.

Although the opportunities for development in *Africa* are greater than in the Far East or the West Indies, the political and administrative framework of certain Colonies puts serious obstacles in the way of development under Corporation aegis. In many parts of *West Africa* the law and custom relating to land tenure rule out the possibility of estate production or large-scale farming except where it can be based on peasant settlement schemes. The Corporation has launched one undertaking in Nigeria on this latter basis. This may provide a pattern for further schemes in West Africa in which by co-operative farming full benefit can be derived from mechanisation and improved techniques, while the traditional system of land tenure is preserved. Schemes of this type may be particularly important and valuable where large irrigation works are involved, the cost of which could not possibly be carried by peasant farmers unaided. If increased rice production is undertaken in Nigeria, it may well be done by means such as these.

The general structure of West African economies also affects the prospects for secondary industries development based on local raw materials. Without some adequate system of organisation and control it is difficult to assure the continuity and consistency of supplies where they must be derived from a very large number of small and independent producers. The Corporation met this difficulty in *Nigeria* where a number of projects were investigated. In that Colony the Marketing Boards in fact provide the organisation through which supplies of agricultural produce can to some extent be controlled and standardized. These Boards have accumulated considerable funds with which they could finance the further processing of agricultural produce themselves. Indeed, there are probably adequate financial resources arising from Marketing Board operations and available through Regional Development Boards set up by the Government for most projects which appear to be economic. One or two projects which were investigated by the Corporation have since been taken up by these authorities and it appears likely that, if the Corporation's further participation is invited, it will be because of a need for managerial and technical skills not available locally, rather than because of any shortage of capital. The Corporation by no means rules out participation with the Marketing or Regional Development Boards on this basis; meanwhile it is investigating the possibilities of sack manufacture from local fibres and of cotton spinning, in both of which considerable technical problems arise.

The difficulties about land do not hamper forestry operations and the Corporation is planning a project in Nigeria for the extraction and milling of timber in partnership with African and British interests. The possibilities for animal husbandry development are limited in all Africa by the prevalence of disease, but where tsetse fly and other pests can be controlled there are possibilities in West Africa for the improvement of stock owned by peasant farmers. Meanwhile additional protein food can be provided by the development of fisheries. This the Corporation has already undertaken in Nigeria and elsewhere, where, by means of the deep trawl it is practicable to fish waters beyond the reach of independent African fishermen.

All these possibilities for development have been more extensively investigated in Nigeria than in *Sierra Leone* or *the Gold Coast*. One or two projects in the latter Colony have been examined, but they were unrealistic and unacceptable to the Corporation as, indeed, in the Board's opinion, they

would have been to any extra-territorial investor. It is to be hoped that the attitude to outside enterprise in this Colony will improve as its purposes and effects become more adequately understood.

The economies of the *East and Central African territories* have developed differently from those of West Africa. The alienation of agricultural land to European settlers has been extensive and agricultural production outside the African Reserves is on an estate basis. The European producers are well organised and have their own marketing organisations; their production provides almost the whole of the export trade of the area. Except in Uganda, where some cotton is grown for export by Africans, the African population live by subsistence agriculture. Owing to the primitive methods generally used by African farmers and the uncontrolled grazing permitted in the Reserves, the land available for African settlement has in some Colonies been reduced by soil erosion and everywhere yields are low. Where practicable the Corporation will consider schemes to raise the productivity of African agriculture, either by organising co-operative activities among existing peasant farmers or by settling them on new land. It will be appreciated that these and other schemes must depend upon the active co-operation of the Colonial administration and of local authorities.

Uganda, Nyasaland and Northern Rhodesia have no direct outlets to the sea. The latter two territories depend almost entirely upon the railway through Portuguese territory to the port of Beira. The increasing congestion of this route has severely limited the rate of development, particularly in Nyasaland. The programme for railway extension in East and Central Africa, at present under consideration by the Governments concerned, will result, it is hoped, in the linking up of the East African railway system with the Central and South African railway systems, thereby providing through communications from north to south and possibly also from east to west. The completion of such a programme will vastly accelerate the rate of development possible in the inland areas, although the experience which the Corporation gained in operating the Lindi convoy (described on page 18) showed that development need not in all cases await the construction of new railways and all-weather roads.

The possibilities of development in *Tanganyika Territory* are considerable and the fact that they have been little exploited in earlier years must be attributed to the uncertainties of the Territory's political status first under British Mandate and later under British Trusteeship. Investors have been shy of putting money into a country whose sovereignty might become the subject of international dispute. However, the realisation of the interdependence of the East and Central African territories, which during and since the recent war has led to closer association of Tanganyika with Kenya and Uganda in the East African High Commission, has to some extent changed this mood, and the activities of the Overseas Food Corporation have contributed to the wider understanding of the problems involved. In spite of the aridity of much of the country, the uncertain rainfall and the lack of ground water supplies or convenient rivers, there is still much land suited to agriculture of certain types. In addition to the wattle undertaking (which is described on page 34), the Corporation is investigating a number of other projects and it is certain that further undertakings will be launched during 1950. The Corporation is also engaged in an important investigation of potential coalfields in the south west of the territory. If workable deposits are proved, the mines will be able to supply coal to the projected railways and may well provide the basis for additional development. The Corporation

is also considering the possibility of stock farming in areas which are sufficiently cleared of tsetse fly.

In Tanganyika it is the energy and the initiative of the Government itself which has made possible the Corporation's extensive investigations. Fewer suitable proposals have been received from *Kenya, Uganda* and *Northern Rhodesia* than might have been anticipated. In Northern Rhodesia this is probably explained in part by the fact that there are considerable capital resources in the Colony, and in Southern Rhodesia, to finance most of the development that is practicable before new railways relieve the congestion on the Beira route and make possible a further opening up of the country. In Kenya and Uganda the explanation may be in some degree the same, that capital resources available locally are adequate for the small and medium size schemes within the scope of local initiative and technical capacity. In Uganda, considerable development of secondary and processing industries is expected to follow the completion of the Owen Falls hydro-electric scheme, but at present the high cost of transport would more than offset the advantage of cheap power, and it is probable that large-scale development will only take place after the projected railway extensions have been completed.

In *East and Central Africa* generally there are considerable possibilities for the expansion of tobacco, cotton and sugar production for export, which would materially assist the dollar payments problems of the sterling area as a whole. The best opportunities for expanded and improved stock farming and ranching are also to be found in the Central African Colonies and in the High Commission Territories.

This brief general survey does not pretend to cover all the Colonies from which proposals have been received, in which investigations have been carried out, or where undertakings have already been launched. Further details are given elsewhere in this Report.

SECTION XI

CONCLUSION

This Report has touched on well-known problems of national and Imperial importance. For example, the need to earn and save dollars has influenced the Corporation's choice of activities; the devaluation of sterling has improved the prospects of some of its projects, and has made it necessary to reconsider others because of the increased sterling cost of American equipment. But the work of the Corporation transcends the immediate aims of attaining an external balance of payments and of maintaining full employment at home. The United Nations Food and Agriculture Organisation and other authorities have drawn attention to the real prospect of food shortages which may face the world during the next few decades.

Large sections of the vast population of Asia, which are vitally concerned with this problem, have recently moved outside the influence of British initiative, and the Dominions of the Commonwealth are, of course, outside the compass of the Corporation's work. It is that remaining part of the world which continues to look largely to the United Kingdom—the Colonial Empire—with which the Corporation is concerned.

Here the indispensable foundations of development must be the provision of ports, roads and railways, schools and hospitals. These fall within the sphere of Colonial government finance, assisted by the Colonial Development and Welfare Funds. Upon this basis must be built the agricultural and industrial activities which will raise the level of production, living standards, and exports, partly by way of new undertakings, partly by the reinforcement, technical and financial, of existing enterprises, and partly by the progress of indigenous producers in modern techniques.

The Board and staff of the Corporation at home and overseas are addressing themselves with a proper sense of urgency to their share of this momentous operation. Substantial investments have already been made in enterprises which will strengthen Colonial economies. The rate of investment will increase steadily during 1950* and 1951. The Board believe that they have shaped a competent organisation. They do not hesitate to ask from Parliament and from the public, through all inevitable difficulties, and without regard to political opinions, a measure of support equal to the magnitude of the Corporation's task.

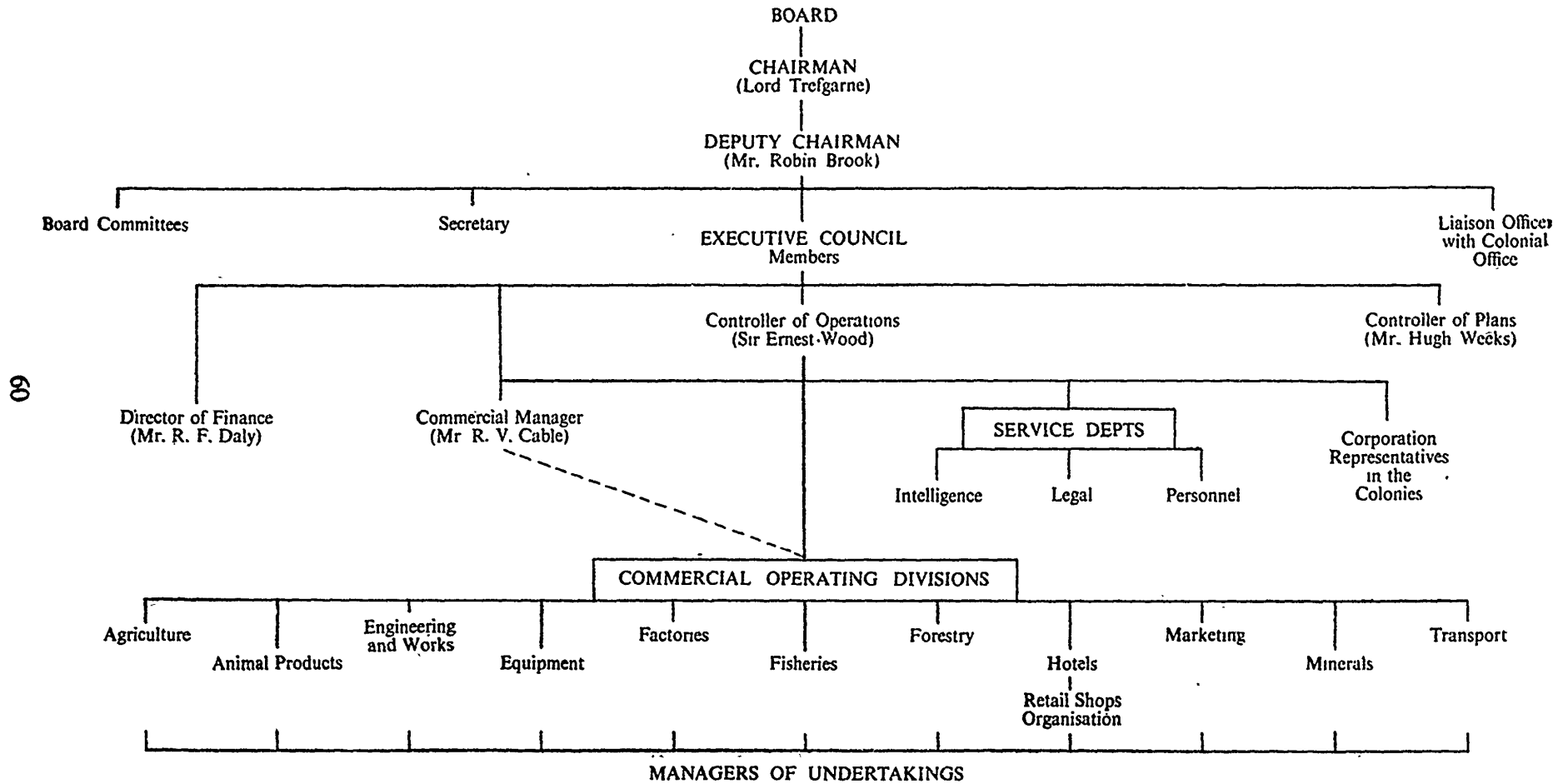
Signed on behalf of the Board,

(Sgd.) TREGARNE,
Chairman.

* Between 31st December, 1949, and 30th June, 1950, the amount of capital committed in approved undertakings rose from £14,187,000 to £24,486,000.

ORGANISATION CHART

APPENDIX



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STATEMENT OF ACCOUNTS

**COLONIAL DEVELOP
BALANCE SHEET**

<i>31st December, 1948</i>		£
£ 615,000	CAPITAL LIABILITY Advances from Colonial Office (Note 2)	£ 3,135,000
— 81,128 2,200	CURRENT LIABILITIES AND PROVISIONS: Amount held on behalf of Subsidiary Company Creditors and Accrued Charges Provision for Superannuation	£ 114,250 277,684 3,704 395,638
<i>Notes:</i>		
<ol style="list-style-type: none"> 1. The maximum borrowing powers of the Corporation are:— <ol style="list-style-type: none"> (a) £100 millions, and (b) £10 millions in respect of sums borrowed temporarily by way of overdraft or otherwise. 2. The Colonial Office Advances which are made under Section 12(1) of the Overseas Resources Development Act, 1948, are repayable by annuities commencing 1st April, 1956, 1957 and 1958, and terminating 1st April, 1988, 1989 and 1990. The arrangements in regard to interest on these Advances have not yet been settled and no provision has been made for interest in these Accounts. 3. Assets and Liabilities in Colonial and Foreign currencies have been converted at the rates ruling at 31st December, 1949. 4. The Corporation has contractual commitments in respect of capital expenditure and debentures and partly paid shares amounting to approximately £780,000. 		
£698,328		£3,530,638

**Report to the Colonial Development Corporation by the Auditors appointed under
of State for**

We have audited the above Balance Sheet and have obtained all the information and So far as appears from our examination, proper books of account have been kept by the

In our opinion and to the best of our information and according to the explanations given a true and fair view of the state of the Corporation's affairs as at 31st December, 1949.

We have examined the annexed Consolidated Balance Sheet (Statement 2) and the tion and its Subsidiary Companies, certain of which have not been audited by us. In our Table on Statement 4 annexed have been properly prepared so as to give a true and fair view date of the Corporation an' also of the Subsidiary Companies so far as concerns the

11, Ironmonger Lane,
London, E.C.2.

12th June, 1950.

STATEMENT 1

MENT CORPORATION

AS AT 31st DECEMBER, 1949

31st December, 1948		Cost	Total Depreciation	
£		£	£	£
	FIXED ASSETS			
191,460	Freehold and Leasehold Land, Buildings and Concessions ...	695,231	7,321	687,910
61,776	Plant, Machinery and other Pro- ductive Equipment ...	218,926	15,979	202,947
—	Factory Ship ...	76,714	—	76,714
83,349	Land Clearance Equipment, Trac- tors and Ancillary Equipment...	184,018	37,769	146,249
	Motor Vehicles ...	154,080	21,961	132,119
24,994	Furniture, Fixtures and Office Equipment ...	54,070	5,525	48,545
		£1,383,039	£88,555	
128,667	Expenditure on Development and Land Clearance, at cost ...			574,064
£490,254				£1,868,548
	INVESTMENTS, at cost:		£	
208	Shares in Associated Companies ...		64,644	
50,000	Debenture ...		115,000	179,644
	SUBSIDIARY COMPANIES (Statement 5):			
100	Investments, at cost ...		717	
—	Amounts owing to Subsidiary Companies ...		669,797	670,514
	CURRENT ASSETS:			
9,191	Stocks, Stores and Livestock at cost or market value, whichever is the lower ...		220,496	
26,647	Debtors and Prepayments ...		92,041	
44,869	Cash at Banks and in Hand ...		136,157	448,694
	PROFIT AND LOSS ACCOUNT:			
—	Balance at 1st January, 1949 ...		77,059	
77,059	Loss for the year ended 31st December, 1949 (Statement 3) ...		286,179	363,238
	TREFGARNE, Chairman.			
	R. E. BROOK, Deputy Chairman.			
	R. F. DALY, Director of Finance.			
£698,328				£3,530,638

Section 16 (3) of the Overseas Resources Development Act, 1948, by the Secretary
the Colonies.

explanations which to the best of our knowledge and belief were necessary for that purpose.
Corporation, and adequate returns have been received from overseas offices.

to us, the said Balance Sheet which is in agreement with the books, gives with the notes thereon

Consolidated Profit and Loss Account (Statement 3) with the audited accounts of the Corpora-
opinion, such Balance Sheet and Profit and Loss Account with the notes thereon and the
of the state of affairs as at 31st December, 1949, and of the losses for the year ended on that
Corporation.

PEAT, MARWICK, MITCHELL & Co.
Chartered Accountants,
Auditors.

COLONIAL DEVELOPMENT CORPORATION

CONSOLIDATED BALANCE SHEET

<i>31st December 1948</i>		£
£		£
615,000	CAPITAL LIABILITY Advances from Colonial Office (No. 2)... ..	3,135,000
—	INTEREST OF MINORITY SHAREHOLDERS IN SUBSIDIARY COMPANIES OVERSEAS	262,311
	CURRENT LIABILITIES AND PROVISIONS:	
81,128 2,200	Creditors and Accrued Charges	782,724
	Provision for Superannuation	8,593
		791,317
	<i>Notes:</i>	
	1. The maximum borrowing powers of the Corporation are: (a) £100 millions and (b) £10 millions in respect of sums borrowed temporarily by way of overdraft or otherwise.	
	2. The Colonial Office Advances which are made under Section 12 (1) of the Overseas Resources Development Act, 1948, are repayable by annuities commencing 1st April 1956, 1957 and 1958 and terminating 1st April 1988, 1989 and 1990. The arrangements in regard to interest on these Advances have not yet been settled and no provision has been made for interest in these accounts.	
	3. Assets and Liabilities in Colonial and Foreign currencies have been converted at the rate ruling at 31st December 1949.	
	4. The Corporation and its Subsidiary Companies have contractual commitments in respect of capital expendi- ture and debentures and partly paid shares amounting to approximately £1,450,000.	
	5. "Land, Buildings and Concessions" includes expenditure on Land the conveyance of which to certain subsidiary companies has not yet been completed.	
£698,328		£4,188,628

STATEMENT 2

and its SUBSIDIARY COMPANIES

AS AT 31st DECEMBER, 1949

31st December 1948	£		£
		FIXED ASSETS (Statement 4)	
		<i>At cost less depreciation:</i>	
191,468		Freehold and Leasehold Land, Buildings and Concessions (Note 5)	1,051,696
61,776		Plant, Machinery and other Productive Equipment ...	599,018
—		Factory Ship and other Vessels	103,543
83,349		{ Land Clearance Equipment, Tractors and Ancillary Equip- ment	178,671
24,994		{ Motor Vehicles	160,234
		Furniture, Fixtures and Office Equipment	69,280
128,667		<i>At cost:</i>	
		Expenditure on Development and Land Clearance... ..	632,085
490,254			2,794,527
		INVESTMENTS at cost (Statement 4)	
208		Shares in Associated Companies	£ 64,644
50,000		Debenture	115,000
			179,644
		CURRENT ASSETS	
9,191		Stocks, Stores and Livestock at cost or market value, whichever is the lower	422,799
26,647		Debtors and Prepayments	154,663
44,969		Cash at Banks and in Hand	254,176
			831,638
—		PRELIMINARY EXPENSES OF SUBSIDIARY COMPANIES	13,759
		PROFIT AND LOSS ACCOUNT:	
—		Balance at 1st January 1949	£ 77,059
77,059		Loss for the year ended 31st December 1949 (Statement 3)	292,001
			369,060
		TREFGARNE, <i>Chairman</i> R. E. BROOK, <i>Deputy Chairman</i> R. F. DALY, <i>Director of Finance</i>	
£698,328			£4,188,628

COLONIAL DEVELOPMENT CORPORATION
CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Certain of the Subsidiary Companies were

11th February to 31st December 1948			£	£
£	OPERATIONAL UNDERTAKINGS:		£	£
	Purchases and Wages		468,254	
	Supervision and General Expenditure		157,216	
	Depreciation		39,019	
—				664,489
—	EXPENDITURE ON PROJECTS NOT PURSUED			31,402
	ADMINISTRATIVE EXPENDITURE:			
	<i>Head Office:</i>			
67,467	Salaries, Wages, Staff Expenses, Travelling and Allowances	£ 161,171	£	
24,422	Rent, Office Maintenance and General Expenses	32,210		
472	Legal and Professional Charges	4,320		
2,187	Depreciation	4,838		
			202,539	
	<i>Overseas Office:</i>			
19,532	Salaries, Wages, Staff Expenses, Travelling and Allowances	90,158		
	Rent, Office Maintenance and General Expenses	18,871		
	Legal and Professional Charges	1,181		
	Depreciation	4,945		
			115,155	
114,080	<i>Less: Allocated to Development Expenditure</i>		317,694	
49,060			148,142	
65,020				169,552
	REMUNERATION OF MEMBERS:			
3,473	Fees		3,613	
9,000	Salaries		7,275	
				10,888
£77,493				£876,331
				£
Balance being Net Loss of the Corporation and its Subsidiary Companies for the year, brought down				292,368
<i>Deduct: Proportion of Loss of Subsidiary Company attributable to Minority Shareholders</i>				367
Net Consolidated Loss for the year attributable to the Corporation (Statement 2)				292,001
				£292,001

(Note: The Total Depreciation provided in the year ended 31st December 1949, including that charged to Expenditure on Development and Land Clearance, amounted to £104,523).

STATEMENT 3

and its SUBSIDIARY COMPANIES

FOR THE YEAR ENDED 31st DECEMBER, 1949

(Incorporated during the course of the Year)

<i>11th February to 31st December 1948</i>		£	£
£	OPERATIONAL UNDERTAKINGS:		
	Sales of Produce	£ 446,681	
	Stocks of Produce	129,237	575,918
—			
108	INTEREST ON INVESTMENTS		3,841
326	OTHER INCOME		4,204
77,059	BALANCE CARRIED DOWN		292,368
£77,493			£876,331
	Loss carried forward in Accounts of Subsidiary Companies ...		£ 5,822
	Loss of the Corporation for the year carried forward in Balance Sheet (Statement 1)		286,179
			£292,001

COLONIAL DEVELOPMENT CORPORATION

TABLE OF FIXED ASSETS, DEPRECIATION AND

	Total	Head Office	Overseas Offices
	£	£	£
FIXED ASSETS AT COST			
Freehold and Leasehold Land, Buildings, and Concessions	1,065,489	57,522	62,700
Plant, Machinery and other Productive Equipment	622,250	—	—
Factory Ship and other Vessels	104,743	—	—
Land Clearance Equipment, Tractors and Ancillary Equipment	217,999	33,539	220
Motor Vehicles	186,245	9,425	16,034
Furniture, Fixtures and Office Equipment ...	75,903	28,928	12,731
	£2,272,629	£129,414	£91,685
<i>Deduct:</i>			
DEPRECIATION			
Freehold and Leasehold Land, Buildings and Concessions	13,793	1,582	1,068
Plant, Machinery and other Productive Equipment	23,232	—	—
Factory Ship and other Vessels	1,200	—	—
Land Clearance Equipment, Tractors and Ancillary Equipment	39,328	8,536	—
Motor Vehicles	26,011	1,683	2,798
Furniture, Fixtures and Office Equipment	6,623	3,652	881
TOTAL DEPRECIATION	£110,187	£15,453	£4,747
	£2,162,442	£113,961	£86,938
EXPENDITURE ON DEVELOPMENT LAND CLEARANCE AND INVESTIGATIONS AT COST			
Balance at 1st January, 1949...	128,667		
<i>Add:</i>			
Expenditure during the year (including £55,721 depreciation)	386,678		
Proportion of Expenditure of London and Overseas Offices	148,142		
	£663,487		
<i>Less:</i>			
Expenditure on Projects not pursued, written off ...	31,402	632,085	19,779
		£2,794,527	£133,740
	£179,644	—	—
INVESTMENTS AT COST			

STATEMENT 4

and its SUBSIDIARY COMPANIES

INVESTMENTS AS AT 31st DECEMBER, 1949

Divisions						
Agriculture	Animal Products	Engineering	Factories	Fisheries	Forestry	Mining
£	£	£	£	£	£	£
56,081	200,075	—	284,303	9,626	393,670	1,512
28,890	22,967	49,434	332,738	15,528	172,693	—
—	—	—	—	104,743	—	—
13,786	126,045	627	28,852	—	13,183	1,747
46,547	40,061	3,695	12,311	—	49,773	8,399
7,530	12,310	737	7,856	25	3,836	1,950
£152,834	£401,458	£54,493	£666,060	£129,922	£633,155	£13,608
1,211	447	—	5,404	—	4,081	—
1,790	320	—	6,833	—	14,289	—
—	—	—	—	1,200	—	—
889	27,327	150	1,275	—	1,141	10
4,890	12,229	—	462	—	3,443	506
417	1,203	—	219	—	185	66
£9,197	£41,526	£150	£14,193	£1,200	£23,139	£582
£143,637	£359,932	£54,343	£651,867	£128,722	£610,016	£13,026
170,491	227,375	20,658	39,911	36,422	75,149	21,006
£314,128	£587,307	£75,001	£691,778	£165,144	£685,165	£34,032
£58,830	—	—	—	£5,500	£105	£115,208

COLONIAL DEVELOPMENT CORPORATION

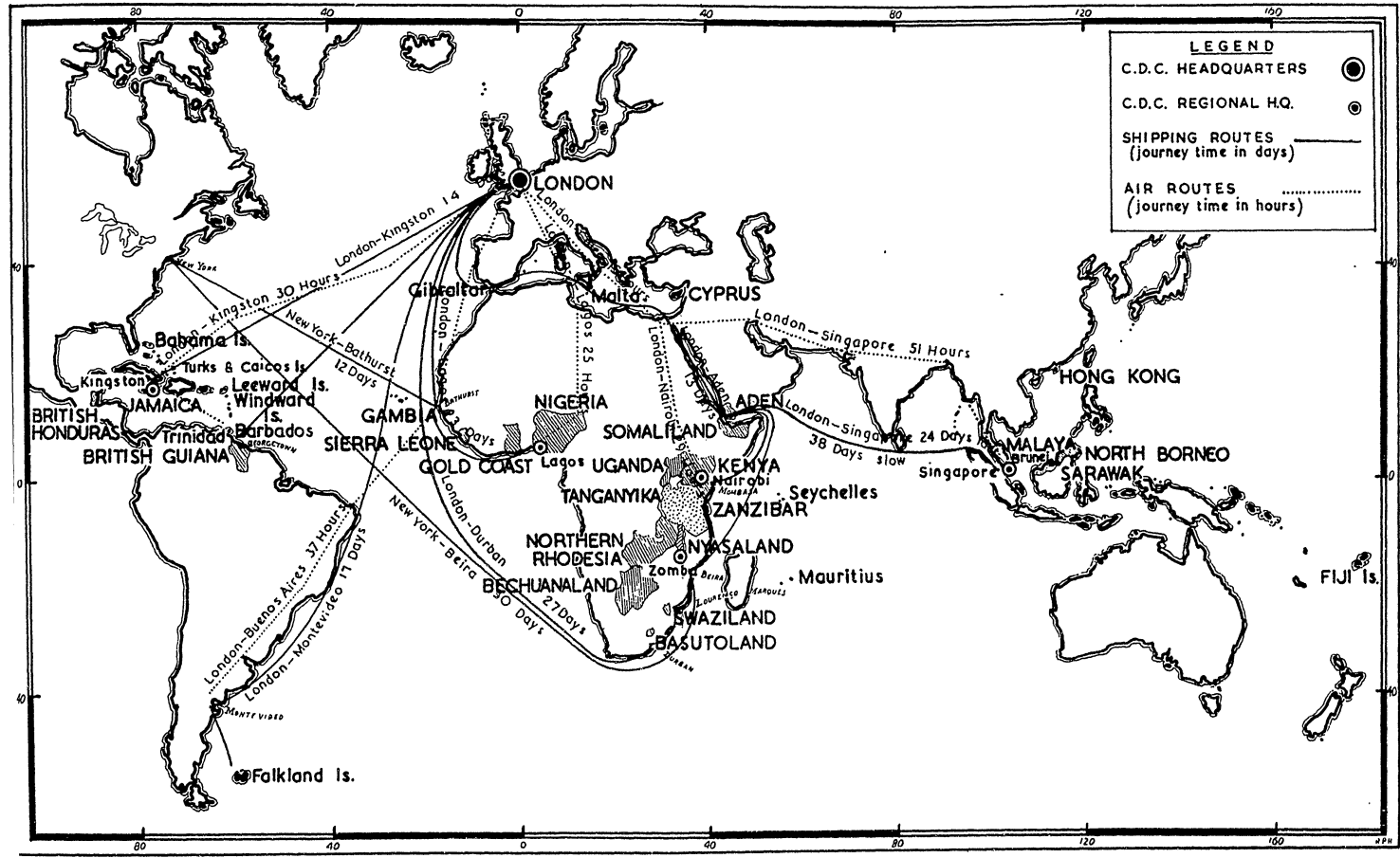
INVESTMENTS IN, AND AMOUNTS OWING BY, SUBSIDIARY COMPANIES AT 31st DECEMBER, 1949

Company	Investment		Amount owing to Colonial Development Corporation
	Shareholding	Book Value	
Colonial Development Corporation (Far East) Ltd.	100 Shares of Straits \$10 each.	£ 117	£ 33,429
Colonial Development Corporation (East Africa) Ltd.	100 Shares of E.A.S.20 each.	100	108,379
Colonial Development Corporation (Central Africa) Ltd.	100 Shares of £1 each ...	100	288,782
Colonial Development Corporation (West Africa) Ltd.	100 Shares of £1 each ...	100	54,862
Colonial Development Corporation (West Indies) Ltd.	100 Shares of £1 each ...	100	49,312
Colonial Development Corporation (Engineering) Ltd.	100 Shares of £1 each ...	100	64,740
South Atlantic Sealing Company Ltd.	100 Shares of £1 each ...	100	70,293
Per Statement 1	£717	£669,797
Chilanga Cement Ltd. ...	4 "A" Shares of £25 each, fully paid 29,996 "A" Shares of £25 each, £11 5s. 0d. paid	£ 100 337,455	£ 337,555
East Africa Industries Ltd.	300,000 Shares of E.A.S.20 each, 35 cents paid		5,250

The Shares in Chilanga Cement Ltd. are held by Colonial Development Corporation (Central Africa) Ltd. and at 31st December 1949 the Corporation held £114,250 on behalf of this Company.

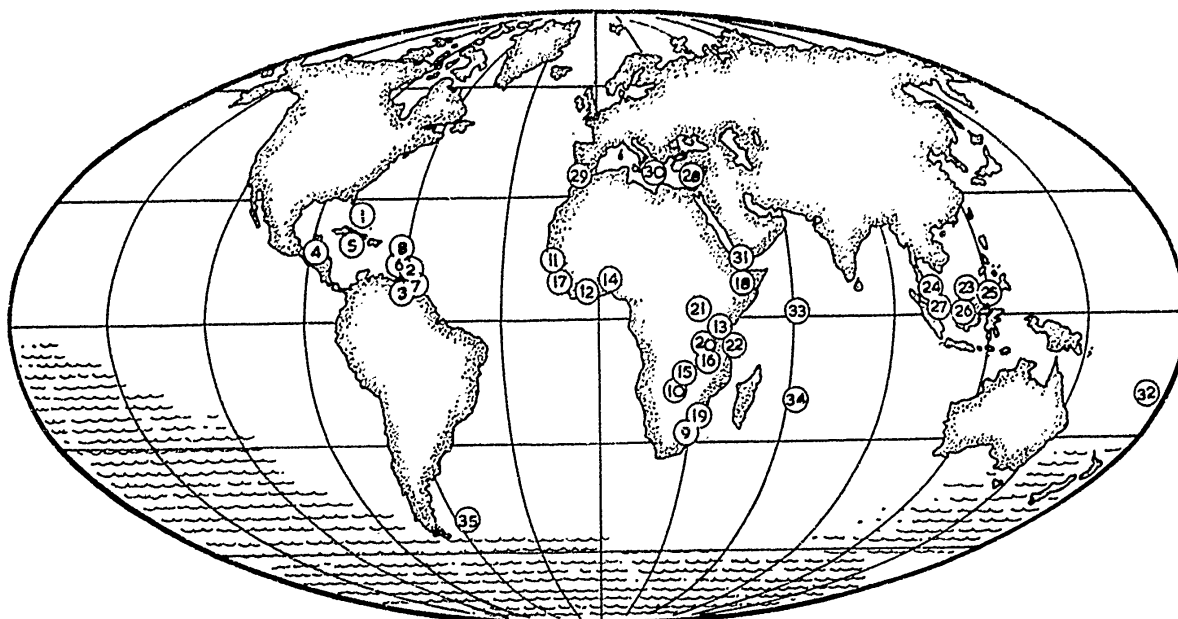
The Shares in East Africa Industries Ltd. are held by Colonial Development Corporation (East Africa) Ltd.

MAP No. I



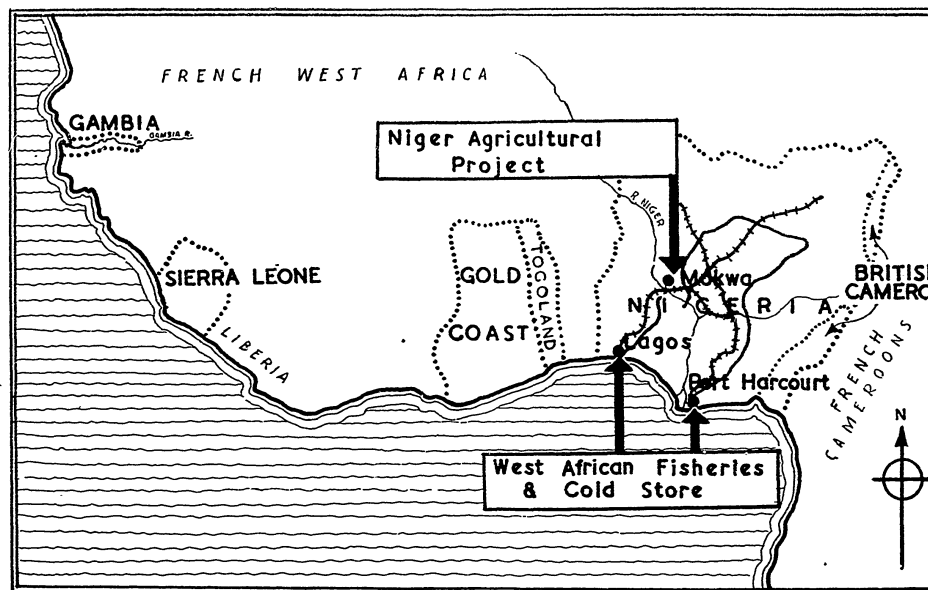
THE COLONIES

SHOWING AREAS, POPULATION AND DENSITY OF POPULATION



- | | | |
|---|---|--|
| <p>1 BAHAMA IS.
Area 4,404 square miles
Population 75,000
Density 17 per square mile</p> <p>2 BARBADOS
Area 166 square miles
Population 198,000
Density 1,192 per square mile</p> <p>3 BRITISH GUIANA
Area 83,000 square miles
Population 390,000
Density 4.6 per square mile</p> <p>4 BRITISH HONDURAS
Area 8,867 square miles
Population 62,000
Density 7 per square mile</p> <p>5 JAMAICA
Area 4,411 square miles
Population 1,350,000
Density 306 per square mile</p> <p>6 WINDWARD IS.
Area 821 square miles
Population 256,000
Density 312 per square mile</p> <p>7 TRINIDAD
Area 1,980 square miles
Population 590,000
Density 297 per square mile</p> <p>8 LEEWARD IS.
Area 422 square miles
Population 108,500
Density 257 per square mile</p> <p>9 BASUTOLAND
Area 11,720 square miles
Population 556,000
Density 47 per square mile</p> <p>10 BECHUANALAND
Area 275,000 square miles
Population 294,000
Density 1 per square mile</p> <p>11 GAMBIA
Area 4,033 square miles
Population 251,000
Density 62 per square mile</p> <p>12 GOLD COAST
Area 91,843 square miles
Population 4,100,000
Density 44 per square mile</p> | <p>13 KENYA
Area 224,960 square miles
Population 5,180,000
Density 23 per square mile</p> <p>14 NIGERIA
Area 372,674 square miles
Population 25,000,000
Density 67 per square mile</p> <p>15 NORTHERN RHODESIA
Area 296,323 square miles
Population 1,720,000
Density 6 per square mile</p> <p>16 NYASALAND
Area 47,404 square miles
Population 2,150,000
Density 45 per square mile</p> <p>17 SIERRA LEONE
Area 27,925 square miles
Population 2,000,000
Density 71 per square mile</p> <p>18 SOMALILAND
Area 68,000 square miles
Population 700,000
Density 10 per square mile</p> <p>19 SWAZILAND
Area 6,700 square miles
Population 187,000
Density 28 per square mile</p> <p>20 TANGANYIKA
Area 362,688 square miles
Population 7,080,000
Density 19 per square mile</p> <p>21 UGANDA
Area 93,981 square miles
Population 5,000,000
Density 53 per square mile</p> <p>22 ZANZIBAR
Area 1,020 square miles
Population 265,000
Density 260 per square mile</p> <p>23 BRUNEI
Area 2,226 square miles
Population 41,000
Density 18 per square mile</p> <p>24 MALAYA
Area 50,850 square miles
Population 5,000,000
Density 98 per square mile</p> | <p>25 NORTH BORNEO
Area 29,387 square miles
Population 332,000
Density 11 per square mile</p> <p>26 SARAWAK
Area 50,000 square miles
Population 550,000
Density 11 per square mile</p> <p>27 SINGAPORE
Area 282 square miles
Population 950,000
Density 3,369 per square mile</p> <p>28 CYPRUS
Area 3,572 square miles
Population 460,000
Density 128 per square mile</p> <p>29 GIBRALTAR
Area 2½ square miles
Population 22,000
Density 9,770 per square mile</p> <p>30 MALTA
Area 122 square miles
Population 307,000
Density 2,516 per square mile</p> <p>31 ADEN
Area 112,080 square miles
Population 731,000
Density 6 per square mile</p> <p>32 FIJI IS.
Area 7,040 square miles
Population 270,000
Density 38 per square mile</p> <p>33 SEYCHELLES
Area 157 square miles
Population 35,000
Density 223 per square mile</p> <p>34 MAURITIUS
Area 809 square miles
Population 456,000
Density 563 per square mile</p> <p>35 FALKLAND IS.
Area 4,618 square miles
Population 2,250
Density 0.48 per square mile</p> <p>UNITED KINGDOM
Area 93,053 square miles
Population 50,049,000
Density 537 per square mile</p> |
|---|---|--|

MAP No. 3



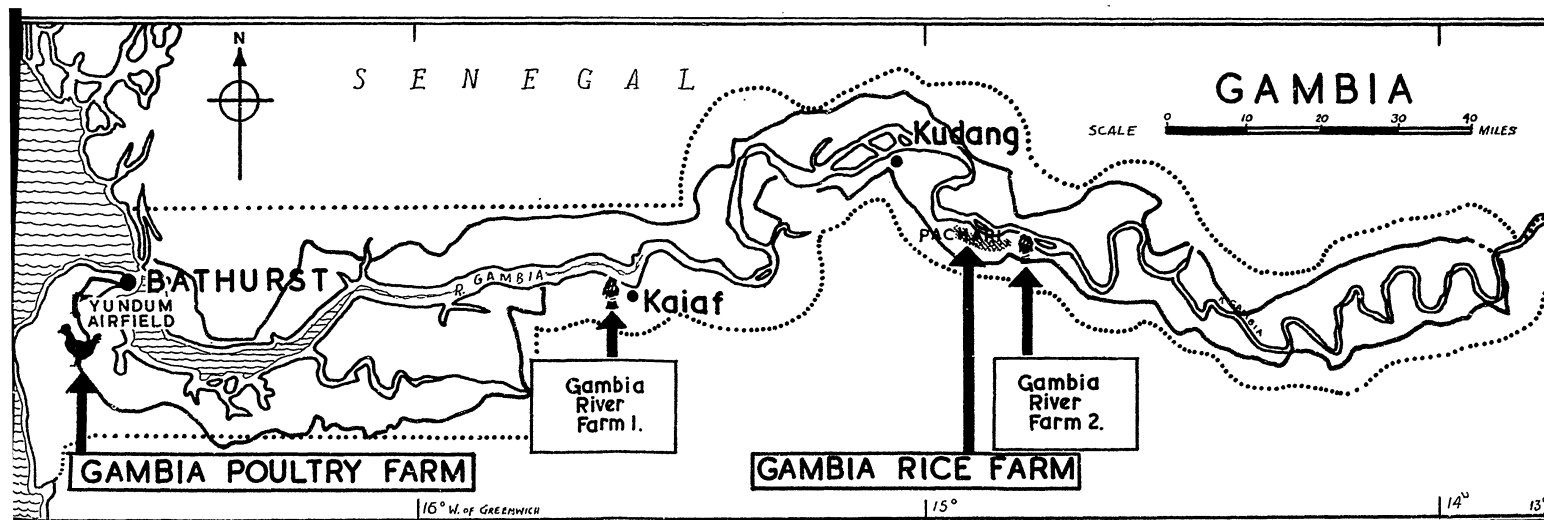
WEST AFRICA

LEGEND

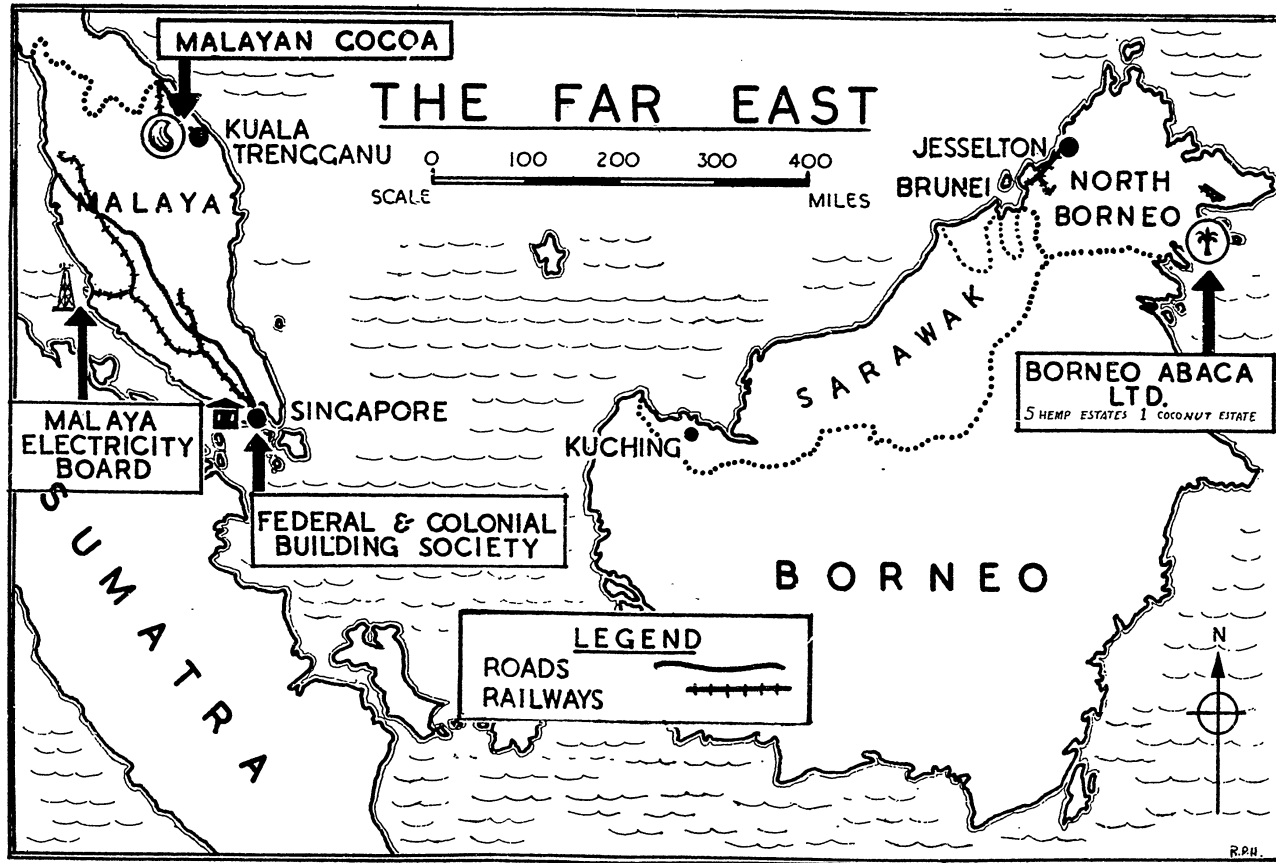
Roads ———

Railways —+—+—+—

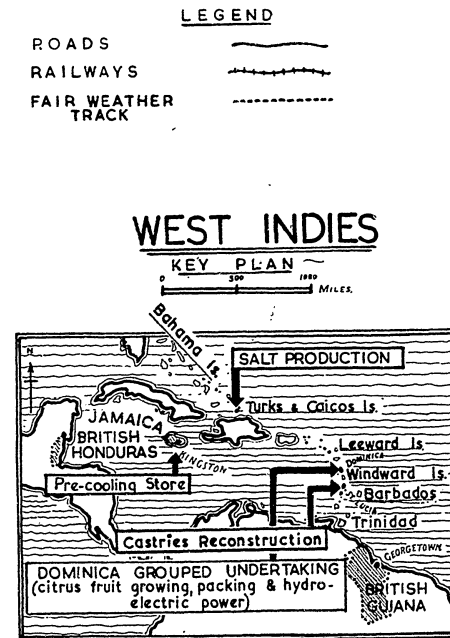
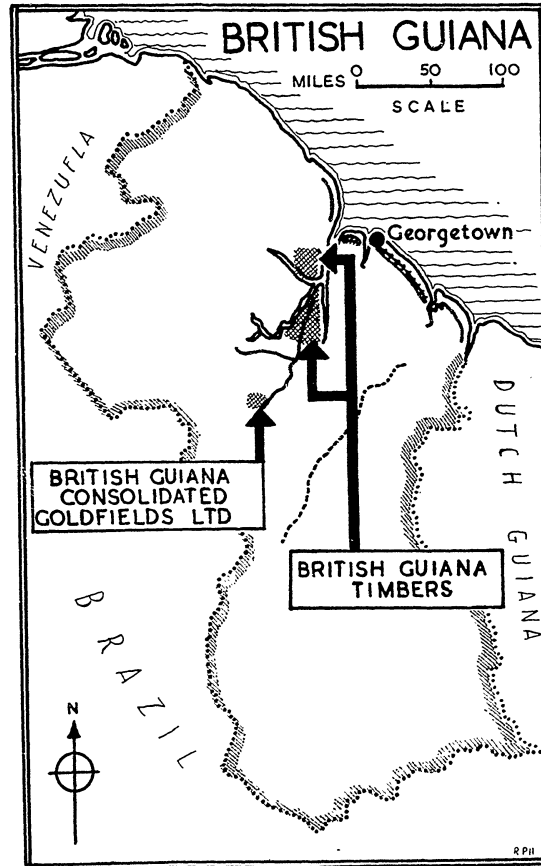
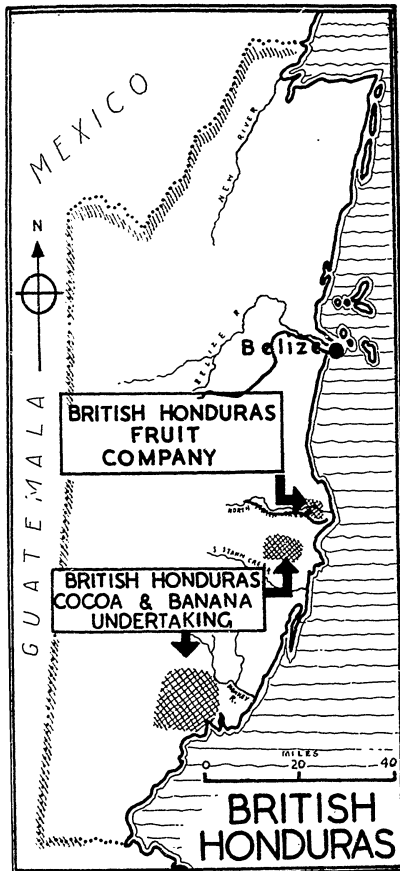
SCALE 0 100 300 500 MILES



MAP No. 4



MAP No. 5



MAP No. 6

