



COLONY AND PROTECTORATE OF KENYA

SESSIONAL PAPER No. 63 of 1956

White Paper on the Report of the Cost of Living Committee

Various - 5.40% per quarter
2.34 - 2.54
3.4 Cost - 2.54 - 3.26
Home - 3.26 - 3.40
House - 3.40 - 4.10
Market - 4.10 - 4.15
- 3.4 - 4.40
Glossy 4.40 - 5.20
White Paper 4.10 - 4.50
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6.00 - 6.06
6.06 - 6.06
6.06 - 6.06

1956

PRINTED BY THE GOVERNMENT PRINTER, NAIROBI

Price: 75 Cents

White 5.20 - 5.30
Handmade 5.30 - 5.50
White 5.50 - 6.00

WHITE PAPER ON THE REPORT OF THE COST OF LIVING COMMITTEE

In October, 1952, Legislative Council resolved that a committee be set up with the following terms of reference:—

“To investigate and take evidence from all sections of the community on the cost of the means of production of locally produced foodstuffs, locally manufactured and imported clothing, household necessities, building materials and transport vehicles and spares in so far as they are within the control of the Government of the Colony, and to make recommendations to Government for reducing the end price to consumers, having special regard to the efficiency of production and distribution of these commodities.”

The Committee's Report was laid on the Table in Legislative Council on the 18th May, 1954.

On the 24th February, 1955, the Government accepted in Legislative Council the following Resolution:—

“That this Council records its appreciation of the valuable services of the Chairman and members of the Cost of Living Committee, whose Report was published in 1954, and requests the Government to give a statement of its attitude towards this Report in view of the continued rise in the cost of living. And further requests the Government to take every possible step to halt this rise.”

General Problems of Rising Prices

2. The world has been experiencing during recent years a general inflation. Kenya has not been able, nor could it, insulate itself from the effect of these price movements. In addition the development of the economy by the injection of capital, both Government sponsored and private, has often resulted in demand exceeding supply with an upward movement in the price structure. In paragraph 14 of their Report the Committee recognizes that “the continued rise in the Kenya cost of living is, however, in accordance with the general trend of a community developing rapidly and further increases, particularly in wages, must be anticipated”. There is full agreement with this finding of the Committee.

Price Control

3. The Government notes that the Committee made no recommendations on Government's policy for price control. In pursuance of that policy, which is to release from control articles which are in free supply, most of the articles set out in paragraph 10 of the Committee's Report have since been decontrolled and only the following are now subject to price control: cement, wheatflour, firewood, charcoal, maize, maize meal, rice and sugar. Where commodities are not in free supply the Government recognizes that price control cannot be

effective without an allied system of rationing and that there are limits to the extent of rationing which would be acceptable or possible in Kenya to-day. A form of distribution control exists in the Commodity Distribution Boards, but Government maintains that these, while preventing abuses of the price system at the wholesale stage of distribution, can never be entirely successful at the retail stage unless the public, knowing the correct controlled prices, regulate their purchases accordingly. The figures quoted in paragraph 11 of the Report purporting to show the effect of decontrol are liable to be misleading because the Committee have not made it clear that, subsequent to decontrol, the producer and wholesale prices of certain of the articles were increased and an increase in the retail prices would have been inevitable even if those articles had remained under control. Since that time adjustments downwards have been made in some of the prices given.

Export Taxes

4. The Government notes the Committee's recommendation in paragraph 22 of their Report for the establishment of a Common Fund, derived mainly from export taxes, designed to keep the prices of agricultural produce low by eliminating through loans or grants from the Common Fund that part of produce prices which is due to development expenditure incurred by the producer. This recommendation was summarized in paragraph 91 of the Report of a previous cost of living commission which reported in October, 1950. At that time the Government said that the proposal turned on the proposition that the agricultural industry should be regarded as a single entity and this concept the Government found itself unable to accept. The changes in and broadening of the structure of Kenya's economy since 1951 have led to no alteration in that opinion.

General economic conditions affecting the farming industry and the Colony's financial position have also changed since 1951. During the past three years it has been necessary to divert any surplus taxable income to general revenue to help pay for the Emergency. In so far as the coffee export tax is concerned there is little doubt that this has been partly at the expense of development. Development will, however, be of great importance in the years of strenuous competition which would appear to lie ahead and it is, therefore, inevitable that any relief which may be granted in the future should be available to the particular branch of the industry concerned for its own development rather than that it should be diverted to price stabilization throughout the whole field of agriculture.

Meat

5. (1) The increases in May, 1952, of the producer prices for meat became necessary because there was, at that time, an acute shortage for sale to the consumer. The principal reason for this was that the prices in the African reserves and in Uganda and Tanganyika were higher than the then controlled prices and the producers were reluctant to sell at the latter prices. The increase was therefore necessary to ensure an adequate supply of meat in shops. Towards the end of 1953 it became clear that the price increases had stimulated the production of mutton, lamb and fourth grade beef to such an extent that the supplies coming forward were likely to exceed the demand. The producer price for Grade A mutton was therefore reduced from Sh. 1/80 to Sh. 1/50 per lb., the decrease in Grade B being from Sh. 1/30 to Sh. 1/20 per lb. The price for first grade lamb was reduced from Sh. 2/25 to Sh. 2 per lb., the decrease in the price of second grade lamb being from Sh. 1/95 to Sh. 1/80 per lb., and

the producer price of fourth grade beef was reduced from 70 cents to 50 cents per lb. While it is undoubtedly true that a reduction in the cost of living could be achieved by an arbitrary reduction in the producer price for meat and other commodities it must be appreciated that the fixation of a price at a level which the producer finds to be uneconomic will, in normal conditions, inevitably result in decreased production and an eventual shortage of that commodity. The Government's policy is therefore to fix producer prices at such a level as will ensure a fair return to the producer and an adequate supply to the consumer.

(2) The Committee's recommendation at paragraph 24 of their Report to the effect that permits should be issued freely for the purchase of stock from sources other than the Meat Commission so as to ensure supplies of cheap meat in the African reserves appears to be based on incorrect information. There are in fact no restrictions which would prevent an African butcher from purchasing stock from another African in his own district, and, provided that he obtains a stock trader's licence, there are no restrictions on the number of stock which he can purchase from Africans in other districts. It is clear therefore that the African reserves can supply their entire requirements of meat from sources other than the Meat Commission which does not in fact normally sell any meat for consumption in the reserves.

(3) The Meat Commission's factory is now complete and includes cold storage facilities which have already proved of the greatest assistance in meeting consumer demands of meat during the period of seasonal shortage, March-June. The canning plant is now ready to open and will be brought into operation when supplies of meat suitable for canning are assured.

(4) The Kenya Meat Commission is essentially a marketing organization trading on a wholesale basis, and the Government can see no justification for making retailers partly responsible for the direction of its affairs. The Government cannot therefore accept the Committee's recommendation at paragraph 27 of their Report that the board should be increased to include two representatives of the Master Butchers' Association.

(5) The Meat Commission Ordinance does not prevent the Commission's surplus revenue from being used to reduce the price of meat to the consumer. It must be appreciated, however, that the producer's price structure is so calculated as to allow for the fact that a final payment may be paid to him in respect of each year's trading. When purchasing meat the Meat Commission pay an agreed price in respect of the weight of the meat only. That price does not include any element in respect of hides and by-products which are disposed of by the Meat Commission. The "final payment" to the producer is therefore a deferred payment in respect of the stock which he sells and represents the value of the hides, etc., after deducting the running costs of the Commission. It is clear that if the producer did not receive a "final payment" then he would expect to receive a greater price for the meat, and the end price to the consumer could not be reduced.

Price Tickets

6. The Government notes the recommendations made by the Committee in paragraph 28 of their Report that meat in the shops should be price-ticketed. Under the Price Control Regulations it is compulsory for retail traders to

mark all price-controlled goods with the controlled price, but since the price of meat is no longer controlled the Government does not wish generally to enforce the ticketing of meat in shops.

Maize

7. Although the Committee have recognized that the question of a subsidy on maize is outside their terms of reference, they have suggested that there might be a case for such a subsidy in paragraph 29 of their Report. They appreciate, however, that this matter has received careful consideration in the past, and make no specific recommendation. The estimated internal consumption of maize, which is handled by Maize Control, is approximately 1,600,000 bags per annum, of which it is estimated that approximately 80 per cent is converted into maize meal. A subsidy of one cent per lb. on this maize meal would therefore cost approximately £125,000 per annum. Quite clearly, if the subsidy were to have any appreciable effect it would have to be in excess of one cent per lb. It is estimated that if the subsidy were five cents per lb. then the average African living in a town and purchasing the whole of his food would save, at the most, Sh. 2/30 per month, and the total cost of the subsidy would be approximately £625,000 per annum.

Grain Storage

8. At paragraph 30 of their Report the Committee recommends the construction of silo grain stores in order to eliminate vermin losses, to reduce the wastage of bags and to save handling. Plans exist for the construction of silo stores for maize and wheat at Mombasa, Nairobi, Nakuru and Eldoret, so as to enable surplus production in any given year to be stored as a reserve to meet shortages in the future. The cost of constructing this storage, however, would be extremely heavy, and in view of considerable developments recently in the fumigation of bagged grain the Government has invited Mr. T. A. Oxley of the Department of Scientific and Industrial Research in the United Kingdom to report on the storage problem, with a view to determining whether a costly programme of silo storage is in fact necessary. It should be borne in mind that the Maize and Produce Control already operates bag storage for maize to the extent of 1,700,000 bags, or 1,300,000 bags if stacked for fumigation purposes, which represents more than a year's consumption, and that there is also available railhead storage for wheat amounting to 80,000 bags which it is anticipated will be increased to 160,000 bags by the end of 1956 or early 1957.

Gunny Bags

9. The Committee recommends in paragraphs 31 and 32 of their Report that Jute Control should be suspended. This control was in fact suspended with effect from the 1st August, 1954, but owing to a number of difficulties which were experienced in arranging deliveries, particularly of "L" twills, during the 1954/55 season, it was decided with the general concurrence of the main jute importing houses, to resume full control for the 1955/56 season. The cost of bags in the maize price structure for the 1954/55 season was Sh. 2/20 and this price has been retained in the current season despite a slight hardening of the jute market.

Milk

10. At paragraph 33 of their Report the Committee consider that the cost of milk could be reduced in Nairobi by some form of zoned supply, but hesitate to make a recommendation without fuller information.

A Committee was set up in 1955 under the Chairmanship of Mr. E. G. Troup to consider whether some form of statutory control of the dairy industry is necessary and, if so, to make recommendations to the Minister for Agriculture as to the form that control should take. The Committee took evidence in all areas concerned. It is expected that its Report will be published shortly, and will cover the proposal that there should be some form of zoned supply in Nairobi.

Price control of milk was suspended in July, 1954.

Ghee

11. (1) The price and distribution control of ghee was removed in April, 1954, and it will have been observed that ghee does not appear as an item in the Second Schedule to the Agriculture Ordinance of Animal Products qualifying for the fixing of a guaranteed price.

(2) At paragraph 34 of their Report the Committee have recommended that the Veterinary Department should be asked to take over the supervision of African ghee to stimulate production and improve quality. In fact, the Veterinary Department have been so responsible for many years and present supplies are much improved.

Vegetables

12. (1) The control of prices for vegetables has caused Government a great deal of trouble in the past. Price control has been tried, and while it may have kept prices down for a time it had the unfortunate effect of discouraging the producers of first grade vegetables, who consider that the quality of their products should command a higher price. The result was that the better quality vegetables tended to disappear from the market, and certain shortages resulted. Experience has shown that it is impracticable to enforce price control on graded vegetables, and in these circumstances the Government decided that the only practicable policy was to decontrol the prices.

(2) As regards the Committee's recommendation that wholesale prices should be published by the Markets' Committee, the Committee have not made it clear that the retailer has, in most cases, to trim the vegetables before they are fit for sale to the consumer, and they frequently lose a considerable amount of weight in the process. His actual gross profit is, therefore, considerably less than the difference between the wholesale and retail prices per pound. The publication of the wholesale prices would, therefore, give the consumer a false impression of the profits actually being made by the retailer. The retail prices are a matter for individual traders, and the Government can see no justification for requiring their publication. The Markets' Committee is, of course, entitled to take such action as they consider appropriate.

Co-operative Stores

13. The Government notes the Committee's comments in paragraph 37 of their Report regarding the advantage to consumers of co-operative stores. The Registrar of Co-operative Societies is available to advise on matters of this nature, but the Government considers that this is really a matter for public opinion, and that the consumers must be responsible for forming and managing such stores.

Wood Fuel

14. At paragraph 38 of their Report the Committee recommend that immediate steps should be taken to implement the recommendations of the

Edwards' Committee who examined the causes of the scarcity of wood fuel in Nairobi. Briefly, the recommendations of that Committee were:--

- (a) Increased exploitation of fuel supplies up to a radius of 150 miles from Nairobi.
- (b) The use of bush fuel.
- (c) The creation of a Central Buying Organization which would average transport costs.
- (d) Increased planting of wood fuel.
- (e) Increased production of charcoal.
- (f) Increased rail facilities for the movement of wood fuel and charcoal.
- (g) The use of other forms of fuel.

With regard to (a) the Government has taken administrative action to permit greater latitude in charging royalties on distant supplies so as to encourage production from these areas. While supplies of bush fuel do exist it has proved difficult to induce the trade to place this fuel on the market in any considerable quantity. The recommendation at (c) has been discussed with the trade organization, but the proposal has broken down on account of the amount of capital required and the very limited return on such capital which could be foreseen at present prices. Unless the consuming public are prepared to pay for the cost of such an organization by the inclusion of an additional element in the price structure of wood fuel, there is little prospect of a central buying organization being established. The recommendation regarding the increased planting for wood fuel can be implemented only partially at present because only limited moneys are available for the purpose. There has been an increase in the production of charcoal, but although the export of charcoal is restricted in the interest of preserving supplies for local consumers exceptions have been made owing to the very much higher price obtainable on the export market. As a result of representations made by the Government to the East African Railways and Harbours Administration there has been a considerable improvement in the availability of rail transport for the movement of fuel. While the Government realizes the importance of using other forms of fuel, it must be appreciated that this may in many cases involve the use of different plant and equipment, and that any change must, therefore, be a gradual process.

Transport

15. The Government is fully aware of the advantages of an adequate public transport system, particularly in Nairobi, and has held discussions with the interested parties to ascertain whether anything can be done to improve the position. The Committee's suggestions in paragraph 42 of their Report dealing with the stricter control of the conduct of passengers, the issue of books of "bus tickets" and the improvement of conditions in peak periods by staggering office hours, keeping shops open between one and two o'clock, and by issuing lunch coupons to office employees, are matters which it would be impracticable to attempt to enforce by legislation.

Infant Foods

16. The Government notes the Committee's recommendation in paragraph 48 of their Report that the Customs duty of 10 per cent on infant foods should be abolished. The Government is advised that the amount of duty paid in connexion

with recent importations formed a very minor proportion of the retail price. It is highly probable that the exemption of these foods from duty would not lead to a reduction in retail prices but would merely increase profits, and, in these circumstances, the Government does not believe that the removal of the duty would produce the desired results.

Technical Training

17. At paragraphs 43 and 51 of their Report the Committee recommend improved technical education for various types of artisans. At present there are four Government trade schools for Africans in the Colony. These schools provide a basic training for artisans, but it will be appreciated that more specialized training in particular skills can only be provided within the industries concerned: at present local industrial undertakings have relatively few employees who are qualified to give such further training. A Committee appointed by the Advisory Council on Trade and Technical Education has submitted its report on the technical training of apprentices in industry, and negotiations in connexion with this report are taking place with representatives of the local motor industry. In addition to the above, it is the Government's policy to provide, in secondary schools, facilities whereby children can, if their parents so wish, receive instruction in technical and commercial subjects. Two Asian schools provide these facilities, which are also available in two Government European boys secondary schools. The Royal Technical College of East Africa, which is to be opened in April, will concentrate on the training of students for employment in professional and supervisory capacities: at the same date a Technical Institute for Kenya students only will be set up, to deal with the training of the higher grades of craftsmen. To begin with, this Institute will have the use of the buildings of the Royal Technical College, and will be conducted by members of the staff of the College: in due course the Kenya Government proposes to provide separate buildings and staff for the purpose. It will be seen, therefore, that the Government appreciates the need for improved technical education and that it is taking steps to improve the facilities. The rate at which the facilities can be expanded will, of course, depend on the availability of finance and the number of persons capable of receiving technical education.

Architects' and Quantity Surveyors' Fees

18. The Government is investigating, in conjunction with the East African Institute of Architects, a proposal to reduce the cost to prospective house owners of some of the development charges in connexion with house building by the formation of a Small House Bureau in which type designs by registered architects are made available to the public at fixed design fees which, it is hoped, will be considerably lower than those representing the design element in normal architects' fees. With regard to the Committee's recommendations in paragraph 53 of its Report, the Board of Registration of Architects and Quantity Surveyors is arranging that architects' fees in Kenya, which are already on a descending scale, shall be brought into line with those obtaining in the United Kingdom under regulations laid down by the Royal Institute of British Architects.

Locally Manufactured Articles

19. In accordance with an undertaking given in the Legislative Council, the Government appointed in 1952 a Committee to examine the need for economic assistance to primary and secondary industries, excluding agriculture, in the Colony. The Committee's Report has been accepted in general principle by the

Government and has been laid on the Table of the Legislative Council. The recommendations made are to be examined in detail by the Minister for Commerce and Industry, in consultation with other interested Ministries and the Treasury. There is already in existence a committee to which local manufacturers may apply for repayments of Customs duty on imported raw materials used in local manufacture, where they can show that there is a good case for such concessions, and this committee has already recommended such repayments in a number of cases.

Increased Labour Output and Incentive to Work

20. The Committee's recommendations set out in paragraphs 56 and 58 of their Report dealing with the issue by employers of coupons for midday meals and better salesmanship of attractive commodities are clearly matters which lie within the powers of individual employers and traders, and Government considers that there is no action which it could properly take to compel employers and traders to adopt these recommendations of the Report.

21. The Government is of the opinion that, bearing in mind the nature of Kenya's economy (*vide* paragraph 2 above), any further action that it might take, in order to reduce the cost of living would have small effect in relation to the changes due to external forces. Any further restrictions on the operation of the economy, besides possibly involving additional Government expenditure, might merely impede the free expansion of the economy, and thus prevent reductions in prices being brought about by normal market forces. On the other hand, any general reduction in indirect taxation, which might bring about a quick lowering in the cost of living, is entirely dependent on the Colony's financial position, and would, at least for the present, have to be compensated for by other measures.