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FALKLAND ISLANDS SHEEPOWNERS'
ASSOCIATION.

1928 - 1938.

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FAIKLAND ISLANDS SHEEPOWNERS' ASSOCIATION.

The Committee of the Association has for some time had under consideration the desirability of printing in pamphlet form all the correspondence of the Association for the past 8 years. Now that there is sufficient balance to permit of this, the Committee decided to proceed with that work, and has the pleasure to send you a copy. It has not been feasible to compile an index, and in lieu of this, blank sheets have been bound in the pamphlet to facilitate the making of any notes which Members might wish to make.

JERSEY, 20th December, 1938.

FALKLAND ISLANDS SHEEPOWNERS' ASSOCIATION.

The formation of a Committee or Association in London of Falkland Islands Sheepfarmers or Sheepowners was contemplated as far back as the year 1919. The reasons which appeared to make some such Association desirable and useful were detailed in semi-official correspondence with Mr. G. Grindle, afterwards Sir Gilbert Grindle, of the Colonial Office, Assistant Under-Secretary of State for the Colonies.

No active steps were taken towards the formation of an Association until the year 1928, by which time the cost of Government of the Falkland Islands had increased considerably with the development of whaling in the Dependencies. It was felt that that industry, which had not contributed anything towards the cost of establishing settled Government, was enjoying the advantages of it without paying its proportionate share of the administrative costs, which had practically doubled since its advent. The incidence of taxation was consequently unfair to the sheepfarming industry, which is and must remain the mainstay of the Colony. It was desirable therefore to form some body which would watch its interests and make any necessary representations, and a meeting, attended by representatives of 88% of that industry, was held at the Cannon Street Hotel in October 1928, and the Sheeepowners' Association was thereupon formed.

Mr. Rhodes Hawtyn Cobb was the first Chairman of the Association, and Mr. G. Bonner, Mr. E. J. Mathews, and Mr. W. A. Harding were selected as Members of the Committee, Mr. Harding acting as Secretary. On the death of Mr. Cobb in 1931, Mr. George Bonner was appointed Chairman, and Mr. G. T. Dean elected as a Member of the Committee.

LONDON,

June, 1938.

W. A. Harding to Mr. (afterwards Sir Gilbert) Grindle.

London, 31st March, 1919.

Some years ago you were good enough to give me more than one interview in connection with the Falkland Islands where I have lived for a good many years, allowing me to express views on various questions, and I should much like now to make a suggestion which I think might be of advantage.

I severed my connection with the Colony about a couple of years ago, but after my long residence there naturally retain a great interest in its general welfare and method of Government. As regards my experience, it is an unusually all-round one; from 1884 to 1891 I was in the branch of the Registry of the Colonial Office which dealt with the Falkland Islands papers; in 1891/2 was in the Government Service at Port Stanley; in 1893 went there to live, and for nearly 18 years (1899 to 1917) was an unofficial member of the Legislative Council, and for the last two years unofficial member of the Executive Council as well.

Compared with other Crown Colonies, the Colony of the Falkland Islands is unique in many respects, and in particular it is probably the only Colony about which the Colonial Office has the least general information. I do not suggest that this is due to any lack of interest on the part of the Colonial Office, but results mainly from the non-existence of any newspaper and the paucity of internal communication, which not only hinders any expression of public opinion, but even the formation of any. The Colonial Office is consequently dependent for information solely upon reports of the different Government officials who are all birds of passage and mostly anxious to restrict their sojourn in its inhospitable climate to the shortest possible period. Other reasons are the isolated position of the Islands and consequent infrequency of mail communication, the severity of the weather, the smallness of the population per acre, and the impossibility of creating any industry beyond the sole one of sheepfarming, all of which combine to restrict the dissemination of information. No doubt reports from Naval Officers reach the Colonial Office from time to time, but these are mostly founded upon a flying visit of a few days during the best part of the so-called summer.

It is by no means a place where anyone would wish to end his days, and most of the owners of the sheep farms, who have spent the best part of their lives there, have now come to England leaving Managers to carry on their businesses. Whilst the owners were resident in the Colony they were mostly on the Commission of the

Peace, and thus in a position to convey their opinions to the Governor, and the stake they held in the prosperity of the Colony entitled them to consideration, but being now resident in England they have no knowledge of the Colony's affairs and its legislation until the latter is a "*fait accompli*."

The appointment of an unofficial member to the Executive Council some years ago was an admission that the colonists should have some voice in the direction of affairs, and it is satisfactory to know that this step emanated from the Colonial Office. It was a recognition of the expediency of the "*audi alteram partem*" principle, and I may say without egotism that Governors have derived not inconsiderable advantage from the advice tendered by the unofficial member of the Executive Council. I believe that since my departure from the Colony in April, 1917, no unofficial member has been appointed to succeed me on the Executive Council, and assume that the Governor, in the absence of anyone possessing an intimate knowledge of the history of the Colony for the past few years, might consider that there was no object in filling the vacancy. But it must, I think, be the wish of the Colonial Office that the Executive Council should be, may I say leavened, with some unofficial element, thus giving the colonists a recognised medium for expressing their views, and affording both the Governor and the Colonial Office some means of knowing what these are, before legislation is actually sanctioned. If therefore my surmise is correct that there is no unofficial advice available locally, additional force is given to the suggestion I wish to put before you, namely that an Advisory Committee composed of Falkland Islands sheepfarmers resident in England should be recognised by the Colonial Office, not as a substitute for an unofficial member on the Executive, but as ancillary thereto.

I have in my mind the West India Committee who for years were permitted to address their views direct to the Colonial Office in London, and were, I believe, consulted before sanction was given to Ordinances dealing with important questions of principle. Judged by the weight of interests involved, the West India Committee is a far more important body, but comparatively the question of Falkland Islands interests is just as important personally to sheepfarmers whose property is situated there.

If in your opinion the suggestion is worth consideration the question of the composition of the Committee and qualification for membership could be decided upon later—personally I should favour a Committee of five, composed of men who have resided for not less than 15 years in the Colony. When you consider the sums paid in income tax and excess profits, particulars of which could doubtless be furnished by sheepfarmers now resident in England,

I think it will be conceded that they have a strong claim to consideration of their views.

If you think there would be any advantage in seeing me personally on the matter, I should be very glad to call upon you at any time.

Yours faithfully,

(signed) W. A. HARDING.

Mr. G. Grindle to W. A. Harding.

Colonial Office, 23rd April, 1919.

I have received your letter of the 31st March and have submitted to the Secretary of State your suggestion for the formation of a Committee for the Falkland Islands on the lines of the West India Committee.

2. The West India Committee is, to quote their own statement of their objects, "an Association of Planters, Merchants, and others "interested in the British West Indies, British Guiana and British Honduras. The object of the West India Committee is to promote "the general welfare of these Colonies, and by united action to "further their interests". Its representations on West Indian matters are always received at the Colonial Office with the consideration due to the acquaintance of its members with West Indian affairs and their stake in the West Indian Colonies, but it does not possess the advisory functions with which you appear to credit it, and it is an entirely unofficial body.

3. If a sufficient number of persons interested in the Falkland Islands care to associate themselves on the same lines to promote the welfare of the Colony, the Secretary of State will watch the movement with interest and will no doubt give due consideration to any representations which they may from time to time make to him on appropriate subjects connected with the Colony. But the precedent of the West India Committee does not appear to call for either the constitution or the recognition of a Falkland Islands Committee by the Colonial Office, and in any case the Secretary of State would not be prepared to take any active steps towards forming such a Committee as you propose. This is a matter for the persons concerned.

4. I am sure the Secretary of State will be interested to hear the result of any action you take, and no doubt you will let us know if and when a Committee is formed.

Yours faithfully,

(signed) G. GRINDLE.

Mr. Harding acknowledged the above, thanking Mr. Grindle for his letter, and explaining that he should have styled the proposed Committee as a "consultative" rather than as an "advisory" body. No further action was taken at the time, and in the following year, Mr. Harding returned to the Falkland Islands until 1923.

Falkland Islands Sheepowners' Association to Colonial Office.

10th October, 1928.

I am directed to inform you that a special meeting of the above Association, recently formed in London, was held at the Cannon Street Hotel on the 10th instant, to discuss the increasing cost of the administrative expenses of the Falkland Islands Government, with special reference to the unequal incidence of the taxation of the sheepfarming and whaling industries.

As a result of the discussion I was instructed to forward the enclosed representation, and to say that the signatories to the same represent the owners of 88% of the total sheep depasturing in the Colony. The Members of the Association are sure that they have the support of the remaining 12%.

We have viewed with serious concern the increasing cost of the administration of the Falkland Islands, caused mainly by the expenses necessiated by the whaling industry and its regulation.

2. The whaling industry is not contributing its fair proportion of the public expenses—in 1924 the contribution towards the cost of central administration was fixed at £9,000 per annum for a term of five years; seeing that that term will expire in January next, the present is an opportune time for inviting your attention to the following.

3. Whaling may be regarded as having started in earnest about the year 1907, for the value of the whale products exported in that year was £47,000 as compared with £4,500 for 1906, and this value has risen progressively during the 20 subsequent years to a little over £4,000,000.

4. During these 20 years the value of sheepfarming products has fluctuated merely according to the wool market. The following figures will show how normal that industry has remained :—

	1907.	1926.
Value of products exported ...	£192,000	£214,000
Sheep depasturing	695,747	605,675
Population, F.I. proper ...	2,260	2,271

Sheepfarming is therefore practically stationary, and the enormous increase in the Civil establishment and expenditure of the Colony is attributable to the work entailed by the whaling industry.

5. In 1907 the number of officials on the Civil establishment was 45, of whom 16 were pensionable; in 1925 the number had risen to 102, of whom 36 are pensionable. The Government revenue and expenditure in 1907 was about £17,000—in 1926 it had risen to £40,000, with additional expenditure of anything from £13,000 to £18,000 met from Surplus balances and the Land Sales fund.

Consequently, during the 20 years that whaling has been carried on, the establishment and expenditure have risen some 125%, and allowing for the general increase of the value of labour and all commodities during that period, it is a reasonable assertion that the advent and progress of whaling has resulted in the public expenses being doubled. That being so, the whaling industry should bear one-half the total cost of Government.

6. In round figures the total cost of the administration of the Falkland Islands and Dependencies for the present year will be roughly :—

Falkland Islands	£55,000
Dependencies :	
Salaries	£3,000
Mails	5,000
Materials, etc.	2,000
	<hr/>
	10,000
Total	<hr/> <hr/> £65,000

Whaling bears £10,000 direct, and contributes a further £9,000 to the Falkland Islands Treasury, making 19/65ths of the total, instead of one-half, or in other words barely 30% instead of 50%.

The whaling budget is roughly :—

Income from tax on oil, about ...	£160,000	
Less Refund on account of low value of oil ...	60,000	
	<hr/>	£100,000
Salaries, etc., as above	£10,000	
Contribution to Falkland Islands	9,000	
Balance to Research Fund	81,000	
	<hr/>	£100,000

As the whaling industry is not contributing its fair quota to the cost of the joint administration, it follows that the sheepfarming industry is in effect being mulcted annually for a contribution towards researches into the history of whales, in which sheepfarmers are not remotely interested. In fact, so far as we are concerned, it is a matter for regret that the Falkland Islands ever became the headquarters of the whaling industry.

7. The unfairness of this treatment of the sheepfarming industry is emphasised in other ways. British sheepfarmers are taxed directly on wool to the extent of 4% *ad valorem*, whereas whalers, who are almost exclusively Norwegians, pay a direct tax of 2½% *ad valorem* only. The sheepfarming industry exports the whole of its products to Great Britain and purchases 83% of its requirements from Great Britain, incidentally providing an ocean mail service thereby.—The whaling industry on the other hand does not help mail communication at all, and exported its products as follows in 1925 (in round figures) :—

Great Britain	£1,150,000
Brazil	424,000
Cape Verde and Canary	546,000
Norway	417,000
Uruguay	976,000
United States	364,000

Considerably less than one-third goes to Great Britain, and as most of the Norwegian expeditions are fitted out in Norway, probably their only purchase from Great Britain is coal.

8. The foregoing deals only with the unfairness of the treatment of the sheepfarming industry at the present time—this is bad enough, but the prospect for the future is somewhat alarming. The number of whales killed annually is increasing rapidly; during the past 10 years it has risen from about 4,200 to over 13,000, and it is disquieting to read in the Blue Book Report for 1926 that

“there was an appreciable falling-off in the quantity of oil produced per whale”. A more serious matter in the outlook for the future is the number of unlicensed whaling companies that are being formed in Norway. These companies are under no restriction as to the number of whales they may kill, and will probably follow the practice of the earlier whalers (before they became subject to the restrictions imposed by the Colonial Ordinances of 1908 and subsequent) namely, of using the most profitable part of the carcass and throwing away the rest. This must result in a falling-off of whaling revenue—these companies pay no licence fees or royalties and even though the existing licensed companies may still take whales, the value of the oil will be lowered by the increased supply, and the rate of tax lowered accordingly.

What we fear, and desire to provide against, is the possible collapse of the industry as a paying business—should that happen, the Falkland Islands will find themselves saddled with twice as many officials as are wanted, entailing heavy pensions and allowances for abolition of office. This contingency should be guarded against by allocating a fair sum out of the accumulated Research Fund (£352,278 in 1926) and investing the same as the property of the Falkland Islands Government.

9. Provided that the whaling revenue contributes its fair share to the administration expenses, and that a capital sum is set aside for meeting the cost of pensions and all expenses that would be incurred in a general clearing up if whaling becomes unremunerative, we feel that, as sheepfarmers, we have no special claim to criticise the expenditure of the balance of the whaling revenue by the Research Committee. As ordinary individuals we cannot but be struck by the huge sums expended on the Discovery herself, and the paucity of the result, and our feelings are intensified by the reflection that owing to the unfair apportionment of the cost of joint administration, some proportion of our taxes has disappeared in the general waste. What we do not understand is why, if the preservation of whales is a matter of world-wide importance, the cost of the necessary research work should fall entirely upon the Falkland Islands.

10. To sum up, we urge that the charges on whaling revenue should be in the following order :—

- (i) The cost of administration in the Dependencies, such as salaries, mails, etc., amounting to about £10,000.
- (ii) A contribution of one-half the cost of the joint administration of the Falkland Islands and Dependencies.
- (iii) A sinking fund to provide for future pensions, etc.

With a fair division of the administrative costs, much could be done towards making life in the Falkland Islands more endurable, such as better cross country tracks, safe water passes, bridges over streams, and especially in providing better educational facilities for children in the country districts.

We are, etc.

Colonial Office to Sheepowners' Association.

30th November, 1928.

I am directed by Mr. Secretary Amery to refer to your letter of the 10th October (of which an acknowledgment was sent to you on the 18th October) forwarding a memorial on behalf of the Falkland Islands Sheepowners' Association in regard to the cost of administration of the Falkland Islands and their Dependencies.

2. Mr. Amery notes that, in the view of the Association, the revenues derived from the whaling industry should be drawn upon to provide for half the total cost of Government. After a careful analysis of the material available in the Estimates of Revenue and Expenditure for 1928, Mr. Amery is satisfied that the share of the expenditure of the Colonial Government upon the salaries of officers stationed in the Falkland Islands, which may properly be regarded as remuneration for services rendered to the Dependencies, but slightly exceeds £4,000, while he doubts whether the share of other charges attributable to the Dependencies in an average year can legitimately be put as high as £1,500. Against this, the revenues of the Colony benefit to an extent which can be roughly estimated at £13,000, including the £9,000 directly payable from Dependencies' funds.

3. It is clear, therefore, that if (as is administratively possible, though no doubt inconvenient) all matters pertaining to the Dependencies were removed from the control of the Falkland Islands Government, the Colony would lose on balance rather more than £7,000 per annum.

4. This calculation, it is true, takes no account of possible future claims on Colonial funds to meet pension charges on account of the staff employed on work connected with the Dependencies. The Secretary of State is suggesting to the Officer administering the Government that he should consider the question of setting aside a portion of the £9,000 annually contributed from Dependencies' revenue to form a fund from which such future pension charges may be met.

5. The large increase in the staff and expenditure of the Falkland Islands Government since 1907 is fully admitted. In ascribing the whole of this increase to the growth of the whaling industry, the memorialists appear to have overlooked, not only the general rise in the cost of administration, which, during the last 20 years, has made itself felt in every Colony in the Empire, but also the fact that the Falkland Islands Government has, during the period in question, undertaken wider responsibilities in relation to a number of matters, such as *e.g.* public works, education, and means of communication.

6. In regard to the Association's contention that the inhabitants of the Falkland Islands have a moral claim to the enjoyment of the wealth produced in the Dependencies, I am to observe that at the dates when the Dependencies were taken into British possession, the Falkland Islands were unoccupied; and that when the Dependencies were developed the enterprises carried on there emanated from Great Britain and Norway and not from the Colony. The connection that exists between the Falkland Islands and the whaling industry is, therefore, mainly fortuitous, depending upon an accident of geography. Mr. Amery is confident that the Association would not wish to contemplate the alternative possibility to which reference has already been made, namely, a severance of the present connection and the administration of the Dependencies by a Commissioner stationed in South Georgia.

7. It is further relevant to observe that by far the greater part of the Dependencies' revenue is raised from the export duty on whale oil; that this duty was increased from its previous nominal figure to the rate now prevailing with the specific object of providing funds for the conduct of research; and that the additional taxation was accepted by the heads of the whaling industry on the definite understanding, communicated to them at the time in writing, that the proceeds would be devoted to that object.

8. By an agreement recently concluded with the whaling companies, the rates of duty have been lowered to an extent which is calculated to reduce the funds available from this source from the neighbourhood of £100,000 to approximately £75,000 per annum. In these circumstances, it seems unlikely that any margin will be available after provision has been made for local Government expenditure and for the needs of the Discovery Committee.

9. With regard to the criticism directed in the 9th paragraph of the memorial against the operations undertaken on the advice of the Discovery Committee, I am to suggest that the attention of the memorialists should be invited to the next report of the Discovery Committee, which is expected to appear early in the

New Year and will contain an account of the Committee's work and expenditure.

10. In conclusion, I am to inform you that Mr. Amery, for the reasons set out above, is unable to approve of any increase in the rate of direct contribution at present payable from Dependencies' revenues to the administration of the Colony. He is prepared, however, to agree to the maintenance of this amount at its present level for a further period of three years, at the end of which time the question can again be subjected to review.

11. A copy of this correspondence is being sent to the Officer Administering the Government of the Falkland Islands.

I am, etc.

Sheepowners' Association to Colonial Office.

3rd January, 1929.

I am instructed by the Committee of the above Association to acknowledge the receipt, on December 4th last, of your letter of November 30th, and to ask you to convey to the Secretary of State their appreciation of the careful consideration of their representations on the subject of the administration of the Falkland Islands and their Dependencies. The Members of the Association beg leave to offer a few comments upon your letter.

2. Pars. 2 & 3. The latest figures available to the Association are contained in the Blue Book Report for 1926, and in the absence of a detailed statement shewing how your figures are arrived at, it is not possible to follow the calculations. In fact, in view of the great divergence of the respective figures, the Members of the Association would suggest that a *prima facie* case exists for an independent financial enquiry as to what is a fair proportion of the cost of the joint administration for the whaling industry to pay.

3. Par. 4. The Association is glad to note that the Secretary of State is apparently in agreement with the principle that a sinking fund should be established to meet pensions and other liabilities which would be payable in the event of the whaling industry collapsing, but the proposition that this should be provided for from the £9,000 direct contribution does not commend itself to the Association. This £9,000 is required for, and is applied towards, annual current expenses of Government. If a proportion, say one-half, were earmarked for pension fund, the Governor

would at once be called upon to find £4,500 in some other way, and he must have recourse to taxation. Seeing that the export tax on wool @ $\frac{1}{2}$ d. per lb. produces just about £9,000 a year, the most natural course would be to increase that tax to $\frac{3}{4}$ d. in order to make up the deficiency of £4,500. But even supposing that it were desired to avoid this increase of the export duty, the tax must eventually fall upon the sheepfarming industry, for it is clear that whatever form taxation may take, whether increased customs duties, import or export, licences or what-not, wages must be proportionately increased to meet the enhanced cost of living. And as sheepfarming is absolutely the only productive industry in the Falkland Islands, that industry must inevitably bear the cost, with the result that sheepfarming would be taxed to provide for pensions necessitated by whaling.

4. Par. 5. It is incorrect to say that the Association overlooks the general rise in all expenses during the past 20 years. In their letter of October 10th the members pointed out in par. 5 that the expenses of Government had risen 125%, and stated that "allowing for the general increase of the value of labour and all commodities during that period, it is etc., etc." It is quite possible that the 25% which was allowed for "general rise" was not sufficient; this point might well be considered by the independent financial enquiry.

Some of the wider responsibilities referred to in your letter would probably not have been undertaken except for a natural prospect of some additional revenue on the development of whaling; for instance, under the head of Public Works, more houses were doubtless necessitated by the whaling development. And a proper water supply became the more urgent on this account, and to provide for the requirements of the whaling steamers which call at Port Stanley. As regards education, every member of the Association would wish to see the best facilities provided; education had in fact been progressively extended for some time past without involving particularly heavy outlay. Communication has without doubt been worse in the past year than for a very long period, and as pointed out in the letter of October 10th, the principal mail communication with this country is provided by the regular carriage of goods, furnished by the sheepfarming industry. The whalers carry all theirs in their own steamers only once a year each way.

One point in connection with the general rise should not be ignored—when the salary and allowances of the Governor were raised in 1913 from £1,200 to £1,500, the increase was based not upon the ground of general rise in all expenses, but on the extra

work and responsibilities resultant on whaling matters. And doubtless the status of his chief executive officers was raised for the same reason. About the year 1920 the salary and allowances of the Governor were again increased from £1,500 to £1,800.

5. Par. 6. The tenour of this paragraph of your letter seems to indicate that the Secretary of State seriously misapprehends the attitude of the sheep farmers towards the whaling industry. The members of the Association read with surprise that they are credited with the "contention that the inhabitants of the Falkland Islands have a moral claim to the enjoyment of the wealth "produced in the Dependencies". They have never advanced any such claim, and there is nothing in their letter of October 10th to warrant this statement. So far from coveting the wealth of the whaling industry, they consider that the pioneer whaling companies are fully entitled to the fruits of their enterprise, just as the members of this Association, as pioneers of sheepfarming, are entitled to theirs.

That question, as also that of the respective dates of occupation and development of the Falkland Islands proper and the Dependencies, have really no bearing on what the Association is contending for, namely a fair adjustment of the cost of administering both. As regards the "accident of geography" the Association considers it not improbable that the whaling industry is the gainer rather than the sheepfarmers. Up to the year 1907 it had taken some 60 years to build up the system of Government; right up to 1880 assistance from the Imperial Government was indispensable, and since then each year has seen expenditure on improving the machinery of Government and providing the buildings, plant, etc., necessary at the seat of Government. The whaling industry stepped into the enjoyment of this going concern without having had to contribute anything towards the initial cost, all of which was met from the results of sheepfarming. But we make no particular point in respect of this; we have no doubt that the whaling industry would pay freely and generously towards the cost of the administration which has safeguarded that industry by judicious regulation. We do not desire the severance of the Dependencies, but should not be particularly alarmed at the prospect, provided that the Dependencies assumed all future liabilities, and provided that it were possible for the Falkland Islands Government to be restored to the *status quo*.

6. Pars. 7 & 8. It appears to the Association that it would have been far better, when the Inter-departmental Committee came to the conclusion that whaling research was desirable, to have imposed an additional tax on whale oil "ad hoc", adjusting the same

from time to time according to the necessities of the Discovery Committee. In that case, instead of the existing complicated system by which, if we may say so without giving umbrage, the Colonial Office allocates all it possibly can to place at the disposal of the Discovery Committee, the adjustment of the administrative costs would be simply a matter of finance which would be settled by the Governor on business lines, holding a fair balance between the two industries according to the volume of work entailed by each, taking cognisance of the capital cost of Government having been provided by the sheepfarmers, and providing a sinking fund for liquidation of pensions etc., in the event of whaling becoming unremunerative. The Association submits that it is not too late to make a change, and that such a system would clarify the financial position and prevent what might develop into recriminations as between the triangle of sheepfarming, whaling and research.

7. Par. 9. The Members of the Association would draw attention to the exact terms of paragraph 9 of their letter of 10th October in this respect. They were careful to observe that they had no special claim, *quâ* sheepfarmers, to criticise. As ordinary individuals they will be very interested in the results of the research operations and will be glad to know that such results have justified the cost.

8. Par. 10. The Association desires to express to the Secretary of State its appreciation of the decision therein communicated. It is gathered from paragraph 4 of your letter that the desirability of providing a sinking fund is admitted, and it is urged that this should receive immediate attention, for since writing on October 10th it appears that syndicates are rapidly being formed for pelagic whaling on a large scale. This development of unlicensed whaling is alarming, in so much as with largely increased supplies of oil, the value must diminish and endanger the industry in the Dependencies.

Should it collapse before an adequate fund has been provided for liquidation, the consequences to the Falkland Islands proper would be very serious.

I am, etc.

Colonial Office to Sheepowners' Association.

5th February, 1929.

I am directed by Mr. Secretary Amery to state that he has given careful consideration to your letter of the 3rd of January relative to the cost of the administration of the Falkland Islands and their Dependencies. I am to observe, in regard to the suggestion made in paragraph 2, that the Secretary of State is responsible for holding the balance even between the Colony and the Dependencies, and that in exercising this responsibility he has due regard to the interests of both. An independent financial enquiry, such as the Association suggest, would be expensive and difficult to arrange, and Mr. Amery does not consider that it would be justified.

2. With regard to the proposal for modifying the system whereby the revenues are allotted to the Discovery Committee Mr. Amery notes the views expressed on behalf of the Falkland Islands Sheepfarmers' Association, but he is not prepared to authorise any change in the existing arrangements.

I am, etc.

*Sheepowners' Association to Colonial Secretary of the
Falkland Islands.*

September 28th, 1931.

I have been requested by the above Association to forward to you the enclosed letter of even date on the subject of the condition of the sheepfarming industry in the Colony, submitting certain representations for the consideration of His Excellency the Governor.

I am, etc.

Sheepowners' Association to Colonial Secretary, Falkland Islands.

London, 28th September, 1931.

We beg leave to inform you that a special meeting of the above Association was held to-day in order to draw attention to the condition of the sheepfarming industry in the Colony, and to invite His Excellency the Governor to give the following his serious consideration.

2. During the five years 1925/1929 the gross value of wool produced in the Colony averaged £232,000 per annum on an average weight of four million lbs.; the gross value therefore was 1s. 4d. per lb., or, after deducting 2d. per lb. for freight and marketing expenses, 1s. 2d. per lb. nett to the grower. Export tax @ ½d. per lb. represented 3½% of that value. The present nett value to the sheepfarmer in the wool sales now proceeding in London is well under 4d. per lb.—a tax of ½d. per lb. is no less than 12½%, a serious matter when wool is realising only very little over one-half of the cost of production.

3. Export tax on whaling products on the other hand is regulated according to the value of the product; during this same five year period the tax has been adjusted so as to bear the same proportion to value as in more prosperous years. The existing tax of 2s. per barrel of whale oil represents about 3% of the market value.

4. Sheepfarmers are compelled to make drastic reductions in their expenses, and such reductions proceed normally in the following order:—

- (i) importation of pedigree stock for maintaining the standard of their flocks;
- (ii) amounts spent on maintenance and repair of buildings, plant and fencing;
- (iii) wages.

The value of wool started to fall in 1929, and as the decline continued farmers ceased all expenditure under No. 1, and curtailed that under No. 2 to necessities only (these reductions cannot continue for more than a couple of years without serious results) and are now faced with the question of reducing their wages bills.

There has been a tendency on the part of the Government in the last two or three years to increase import duties—the duty on spirits has been increased 50%, tobacco 33%, and a new tax placed on matches equal to some 80% of their invoice cost. All this enhances the cost of living and makes a reduction in the rate of wages more difficult. Even so, we think that the cost of living to employees on sheep stations is but little over pre-war figures, although actual wages are quite 25% higher.

We discussed whether we should inform our Managers and staff that they may be asked to accept an all-round reduction of 10%, but as the financial situation in England is at the moment changing from day to day we do not propose to take immediate steps in regard to this.

5. The foregoing economies are however insufficient to balance the loss on cost of production, and we are confronted with

the prospect of either having to reduce the number of men employed, or employing them only during the seven months of the year that their labour is remunerative. During the five months mid-April to mid-September the weather precludes out-door work considerably, and most stations could dispense with half their men during that period. We should be very loth to have recourse to such a drastic measure, but will have no option unless we are afforded some relief to balance losses.

We therefore ask His Excellence the Governor to recommend to the Secretary of State that the ½d. per lb. export tax on wool should be suspended until wool is paying the cost of production. Seeing that the colony's surplus balances on December 31st last amounted to £23,228 (General account) plus £13,990 (Reserve fund), a total of over £37,000, it is evident that the Revenue can afford to forego the wool tax of about £9,000 a year for two or three years until values improve.

We may note here a remark in the Blue Book Report for 1929, page 7, that of the amount received from taxation, "approximately 42% was contributed by the sheepfarming industry, the remainder "being collected from the community generally." We regard this statement as misleading, for it should be borne in mind that as sheepfarming is the sole industry of the Colony, *all* taxation must in the long run be met from sheepfarming products.

6. Economies and relief from Export tax will not suffice to carry sheepfarmers over the difficult times ahead, as farmers have not been able to place anything to reserve for the past two years, and wages bills cannot be met at existing prices. We understand that the Secretary of State has sanctioned loans to farms from the Land Sales Fund, but such loans are earmarked against "permanent farm improvements." We ask that this proviso should not be insisted upon and that loans be granted at a low rate of interest to enable farmers to carry on. The Fund amounted to £229,172 at the end of last year.

We are not suggesting that there should be any deparature from the principle agreed upon many years ago that this Fund should be kept intact in order to provide a permanent and constant revenue; loans would be repaid in time, and revenue would receive the interest upon loans in the same way that it now receives interest on Land sales fund investments.

7. We take the opportunity of urging that the general expenditure of the Colony should be reduced wherever possible. We notice with regret that although the Estimates for 1930 provided for an expenditure of £44,915, actually £55,989 was spent, an excess of £11,074. With a population of 2,396, this represents

over £23 per head, which is surely very excessive for purely administrative purposes, there being no naval or military expenditure and no interest on public debt to be met.

The actual salaries of officials do not represent the real cost to the Colony—many are provided with quarters and fuel allowances, and the grant of passages every 2½ years constitutes a very heavy burden. We notice that the cost of such passages was estimated at £2,500 in 1929, but the actual expenditure was no less than £3,977; 60% higher than the estimate.

8. We would now draw His Excellency's attention to our correspondence in 1928 on the subject of the annual contribution of the Dependencies towards the cost of central administration which was fixed for a period of 3 years at £9,000. This period expires on December 31st next, and we ask His Excellency to urge strongly on the Secretary of State that this should be continued.

The apprehensions expressed in our letters of October 10th, 1928, paragraph 8, and January 3rd, 1929, paragraph 8 appear to have been amply justified, for since that date pelagic whaling has made rapid strides and has no doubt assisted to lower the value of whale oil. Whaling from land stations has apparently ceased to be remunerative, for such operations have been almost entirely suspended in the Dependencies, and no one can forecast when they will be resumed. As a result of this, the Dependencies' revenue must suffer considerably. We observe that in view of the large increase in the number of whales slaughtered annually, now estimated at 40,000, the question is occupying the attention of the League of Nations, and it may well happen that whaling in the Dependencies will never be renewed.

In that case the Colony of the Falkland Islands will be left with all the Dependencies officials on its establishment, with liability to pensions, and we urge a more serious consideration of the appeal at the end of paragraph 8 of our letter to the Secretary of State of October 10th 1928, for the allocation of a fair sum from the accumulated Research Fund, which amounted to £468,109 at the end of last year.

We suggested in that letter that a pension fund should be established, and we note from the accounts that a "Discovery Pension Fund" has been started—£2,945 on December 31st last—but there is nothing to show whether the Dependencies officials participate in that fund, or whether it applies solely to the Discovery research staff.

It appears to us that the most ordinary prudence should recognise that an entire cessation of whaling in the Dependencies has reached the stage of probability, and should dictate that

immediate steps should be taken to safeguard the Falkland Islands Government against the resultant expense that would be thrown upon it from the clearing up of the Government establishments in the Dependencies and the pensioning of officials whose occupation would be gone.

We appeal to His Excellency to give all the foregoing his earnest consideration, and to recommend to the Secretary of State:—

1. Suspension of the export tax on wool until wool again pays the cost of production.
2. Loans from the Land Sales Fund to farmers to enable them to meet the current expenses of the industry.
3. Continuation of the contribution of £9,000 per annum from the Dependencies.
4. Allocation of a sum from accumulated Research funds to meet the expenses of the possible abandonment of whaling in the Dependencies.

We are, etc.,

(signed) 12 names.

Colonial Secretary, Falkland Islands to Sheepowners' Association.

Stanley, 16th November, 1931.

I am directed by the Governor to acknowledge the receipt on the 10th of November, 1931, of your letter of the 28th of September, 1931, forwarding a letter from the Falkland Islands Sheepowners' Association on the subject of the condition of the sheepfarming industry in the Colony.

2. I am to say that the representations contained in this letter are receiving His Excellency's consideration and that in due course a further communication will be addressed to you.

I am, etc.

Colonial Secretary, Falkland Islands to Sheepowners' Association.

Stanley, 29th March, 1932.

In continuation of my letter of the 16th of November, 1931, I am directed to inform you that the Governor has considered fully the representations made in the letter from the Falkland Islands Sheepowners' Association forwarded by you, with the following conclusions.

2. His Excellency regrets that he sees no good ground having regard more especially to the position of the Falkland Islands sheepfarming industry as compared with that of many primary industries in other parts of the British Empire, to grant the suspension of the export tax on wool for which the Association asks. His Excellency finds it difficult to accept the contention of the Association that wool is realising only very little over one-half the cost of production and is unable to see that the Association has adduced any evidence in support of this contention other than the statement that at the wool sales held in London in September 1931, Falkland Islands wool was realising well under 4d. per lb., *nett*, or, with an allowance of 2d. per lb., for freight and marketing expenses, less than 6d. per lb. *gross*. As the Association will be aware at the sales held in London in March, 1932, the average prices realised for Falkland Islands wool ranged from 7d. to 9½d. per lb. *gross*.

3. The Association will be aware, moreover, that the export tax on wool is virtually the sole contribution made by its members to the revenue of the Colony and that this form of taxation, in lieu, for instance, of a tax on land, was adopted in the year 1923 at the expressed preference of owners of farm property in the Colony. In this connection His Excellency does not propose to reply in detail to the Association's criticisms of this Government's economic policy except to point out, in so far as concerns the liability for any increase in the cost of living attributable to this Government's tariff of customs duties on import, that the only commodities subject to taxation of this nature are alcoholic liquors, including spirits, tobacco and matches and that the only alteration in the tariff effected in the two years 1930 and 1931 has been a reduction in the duty on spirits. His Excellency desires, however, to invite the attention of the Association to the fact that during the past year of declining trade and revenue this Government has been in the fortunate position owing to its most careful management of the Colony's financial resources to deal effectively with the serious problem of unemployment without imposing new or increased

taxation and hopes to be able to continue so to deal with the problem both in the current year and in the future until the weight of the burden is eased by the re-absorption on to the sheepfarms of a part at least of the labour at present surplus and dependent upon the Government for a livelihood. His Excellency would observe incidentally that the annual estimates for 1932 allow for an excess amounting to more than £1,000 of the revenue over expenditure.

4. His Excellency regrets also that in existing circumstances he does not feel justified in recommending to the Secretary of State such an innovation of public policy as that advocated in the Association's second request that loans should be made from the Land Sales Fund to enable farmers to meet the current expenses of the industry. His Excellency trusts that unless the depression becomes unexpectedly aggravated or prolonged the actual facilities for money will prove adequate against the emergency except, perhaps, in the case of any business which may not be conducted on a sound basis.

5. I am to add that a copy of this letter is being sent by His Excellency to the Secretary of State and that a copy of the Association's letter has already been sent. His Excellency anticipates that in due course he will receive the expression of the Secretary of State's views in respect of the last two requests contained in the Association's letter which relate to the contribution from the Dependencies and an allocation from the Research Fund.

I am, etc.

Sheepowners' Association to Colonial Secretary, Falkland Islands.

London, 28th June, 1932.

The above Association desires me to acknowledge the receipt on May 4th of your letter of March 29th, and to submit the following observations.

2. The second paragraph of your letter bases the Colonial Government's inability to suspend the Export tax on wool on the grounds that (i) the sheepfarmers are merely in a similar plight to most primary producers in the British Empire, and (ii) their statements as to wool prices are misleading.

As regards (i) this argument may be adduced by other Colonial Governments in answer to appeals from other primary

producers for relief from taxation, but we are for the moment concerned with our own predicament. As to (ii) the evidence of the wool sales speaks for itself. In our letter of September 28th we cited the sales of that month as the most recent data at that moment; we are of course aware that prices shewed an advance in March last, but the Colonial Government ignores the fact that the wool sold then was the most valuable of the annual clip, namely hogget wool which is clipped and marketed first. The average *gross* prices realised at the three sales which have taken place this year are 8.07, 6.18, and 5.32, a progressive decline, the average all round so far being 6.8 gross. The real test is the average price for the whole year, which is ascertainable by the Colonial Government from the returns furnished by exporters, and we have unfortunately every reason for anticipating that this average price of 6.8 gross, or 5d. nett, will be diminished by the results of the remaining sales of this year. The statement in our letter of September 28th that wool is realising but little over one-half the cost of production is therefore only too correct.

3. Par. 3. We have pointed out that all the revenue of the Colony is really derived from the sheep's back; the *form* of taxation is immaterial to the argument, for if the produce of the sheeps' backs is insufficient to meet the cost of production, there is nothing from which to pay taxation in *any* form.

The Association is of opinion that generally speaking the cost of administering a Colony with a population of only 2,400 persons is quite excessive; expenditure under the head of "Personal emoluments" in the years 1920, 1925 and 1930 being as follows:—

Year.	Population	Personal emoluments.	Average per head.
1920	2,271	£13,531	£6 0 0
1925	2,252	£17,513	£7 17 0
1930	2,396	£20,130	£8 8 0

4. This paragraph (3) of your letter contains a suggestion or forecast that fresh or increased taxation might be required to meet the cost of unemployment until labour is re-absorbed by the farms. Increased taxation is exactly what would drive the farmers to reduce their hands still further through sheer inability to meet the wages bill, thus throwing more men on to the public funds and creating what is termed a vicious circle.

5. The Association does not understand why, if loans from the Land Sales Fund for permanent farm improvements are permissible, such loans are not much more so for the purpose of keeping the industry going.

We feel compelled to say that the Colonial Government does not appear to realise the gravity of the situation. They hope that "actual facilities for money will prove adequate"; the point is where is it to come from? for a depressed industry in an obscure Colony 7,000 miles away does not offer much attraction to people who are in a position to lend money.

The Association raised this question last September in order that some timely provision against financial stress might be made; the Colonial Government received that letter on the 10th November, but 4½ months elapsed before an answer was sent, transit both ways adding another three months. During this 7½ months the farmers' resources have become more depleted and further losses have been incurred through the low value of wool. We are still without any reply as to the important questions of the continuation of the Dependencies' annual contribution of £9,000, and the serious outlook for the Falkland Islands proper consequent upon the virtual collapse of the whaling industry.

We therefore ask for a serious re-consideration of the requests in our letter of September 28th last which we reiterate:—

EXPORT TAX.

The accounts of the Colony show that at the end of last year the Surplus balances, including the Emergency or Reserve Fund created out of those balances, amounted to £36,357. The present crisis is certainly an emergency, and we ask that a portion of the surplus balances should be utilised for granting farmers temporary relief from this tax (about £9,000 per annum) until wool is again a profitable industry.

LOANS.

The Colonial Government regards the idea of loans from the Land Sales as an "innovation"; true, no doubt, but desperate ills require desperate remedies. We have shown that the expenses of the industry exceed the receipts, but the Colonial Government on the one hand appeals to the farmers to maintain as many men as possible on their stations (vide the speech of the Colonial Secretary as reported in Official Gazette of December 1st last) and on the other hand hesitates to assist them in any way by relief from the export tax or by loans. If the idea of a loan of actual money is repugnant, we suggest that the payment of the annual land purchase instalments should be suspended for a term of years, interest at 3% being charged whilst unpaid. Such postponement should not be allowed to affect the station-holders' title and rights under the Land Ordinance of 1903, and the effect would be simply the

deferring of the completion of the land purchase for two, or three years, as the case may be.

Those station-holders, some six in all, who have already completed the purchase of their land, would not derive any benefit from this; such stations however are now exempt from this annual liability.

6. DEPENDENCIES AND RESEARCH FUND.

We submit that the time has arrived for a re-consideration of the position of the Research Fund, and we ask that the Association's correspondence with the Secretary of State commencing 10th October, 1928, may be read with this. In the course of that correspondence the Association stated that they did not put forward any claim to participate in the profits from whaling, they pointed out that the commitments of the Falkland Islands proper had been enormously increased by the tacking-on to that Government of the regulation of whaling and the administration of the Dependencies, and expressed their concern at the effect on the Falkland Islands in the event of the whaling industry collapsing. The whaling industry does appear to have collapsed, certainly from the point of view of revenue producing. We understand that for the past two years the whales killed have been smaller, and land stations are largely superseded by pelagic whaling carried on by vessels capable of dealing with eight whales at a time. No revenue is derived from these and no further funds for research would seem to be forthcoming.

If whaling in the Dependencies is not resumed, the *raison d'être* of the establishment in South Georgia will cease, and a large proportion of the staff at Stanley will be redundant, for the work hitherto entailed in connection with whaling and the collection of revenue for the Research Fund will disappear. The Falkland Islands, as a sheepfarming country, will no longer have any concern in whaling research, which has really become an international question, and the Colony's civil establishment, which is on a much more elaborate scale than a population of 2,400 persons warrants, will have to be reduced to a more proportionate figure. It is realised that such a reduction requires a fairly long period, and in the meantime the cost of salaries of officials and relief of unemployed has to be met.

The Research Fund amounted at the end of last year to £426,751, and it is improbable that funds will be forthcoming to augment this, or in fact to meet the expenditure to which the Research Committee is pledged. We repeat that whaling research has become an international matter, and the cost of such should be

borne accordingly. It would be inequitable that this Fund should be expended without provision being made from it towards the cost of the Falkland Islands establishment reverting to its former proportions and provision made for future pensions. We urged this 3 years ago, and since then the capacity of the Colony for bearing the cost has diminished considerably.

7. The annual interest on the Fund would amount to presumably over £12,000, and some portion of this should be allocated at once to the needs of the Colony, especially for relief work for the unemployed, and moreover the bulk of this should be spent in the country districts. Hitherto, with but slight exceptions, the whole of the Public works expenditure has been confined to Stanley on work of necessarily unproductive nature. Work in the country districts, such as bridges, draining, and rough road or track making would be of permanent value. Such work is not practicable during the winter months, May to August inclusive, when relief would have to be given in Stanley.

If the above idea is entertained, a scheme of work in country districts during the other eight months of the year could be formulated.

8. We feel that the Colony has a very real claim on the Research Fund, and at the moment any help from it would safeguard the financial position of the Colony, which is entirely dependent upon being self-contained on account of its isolated geographical position.

I am, etc.,

Colonial Secretary Falkland Islands to Sheepowner's Association.

Stanley, 29th August, 1932.

I am directed by the Governor to acknowledge the receipt on the 6th of August, 1932, of your letter of the 26th of June, 1932, submitting for His Excellency's reconsideration certain requests for relief on behalf of the Falkland Islands Sheepowners' Association.

2. I am to say that His Excellency has already made and is making further proposals to the Secretary of State for the Colonies in the matter, which, if approved, in His Excellency's view will meet, in part at any rate, the situation as you have described it.

I am, etc.

Colonial Office to Sheepowners' Association.

Downing Street, 9th November, 1932.

With reference to the letter from this Office of the 19th July I am directed by Secretary Sir Philip Cunliffe-Lister to inform you that the Governor of the Falkland Islands has reported that he is unable to see his way to recommend the remission or suspension of the export duty on wool. He has however recommended that in the year 1933 the payment of the export duty might be effected, instead of at shipment, on receipt in the Colony of the customs certificate covering the landing of the wool in the United Kingdom. This concession is to apply only to wool exported during the year 1933 and will be subject to the condition that the full amount of duty due in respect of wool exported during that year is paid before the end of the year.

2. The Governor has further recommended that the payment of annual land purchase instalments should be suspended in respect of the year 1933, interest being charged at 3% per annum on the amount unpaid and ownership rights remaining unaffected. The question of extending this concession up to a maximum term of three years will be considered prior to the commencement of each of the years 1934 and 1935.

3. Sir Philip Cunliffe-Lister has approved these recommendations.

I am, etc.

Colonial Secretary Falkland Islands to Sheepowners' Association.

Stanley, 12th November, 1932.

In continuation of my letter of the 29th of August, 1932, I am directed by the Governor to inform you that, with the sanction of the Secretary of State for the Colonies, His Excellency has been pleased to approve, during the year 1933, the grant of the under-mentioned concessions for the relief of the sheepfarming industry:—

- (1) Payment of the export duty on wool will be collected, instead of at shipment, on receipt at Stanley of the customs certificates covering the landing of the wool in the United Kingdom; and
- (2) Payment of the annual land purchase instalments will be suspended, interest being charged at the rate of 3 per cent. per annum on the amount unpaid and ownership rights remaining unaffected.

2. I am to add that the grant of similar concessions in a future year will be reviewed in the light of the circumstances prevailing at the time, but that it is not contemplated that the suspension of the annual land purchase instalments will be extended in any event beyond a maximum period of three years, that is, beyond the end of the year 1933.

3. I am to say that His Excellency trusts that the concessions granted will be of substantial assistance to the sheepfarming industry in the present emergency.

I am, etc.

Sheepowners' Association to Colonial Office.

London, 30th November, 1932.

Sir,

I am requested by the above Association to acknowledge with thanks the receipt of your letter of the 9th instant.

2. The Association desires me to express its appreciation to the Secretary of State for sanctioning the postponement of payment of the annual instalments for Land purchase, but to say at the same time that the decision not to grant any relief as regards the export tax on wool is very disappointing.

3. Your letter deals with the first 5 paragraphs of our letter to the Colonial Secretary of June 28th, and the Association looks forward to receiving shortly a reply to the three concluding paragraphs of that letter on the subject of the contribution of £9,000 per annum from the Dependencies to the Colonial Revenue, and of the allocation of a sum from the Research Fund. In the 10th paragraph of the Colonial Office letter of 30th November 1928 it was stated that the Secretary of State agreed to the maintenance of the direct contribution at its then present level for a period of 3 years "at the end of which time the question can again be "subjected to review".

4. That time has now arrived, and during the interval the capacity for taxation of the sheepfarming industry has declined steadily to its lowest level in the 100 years history of the Colony, the industry being now in fact carried on at a loss. Since the commencement of the Whaling industry in the Dependencies the charge on the Colony as a whole for administration, passages, and pensions has increased enormously, and the request for the renewal of the Dependencies' contribution is not only reasonable but of vital importance, for during the past few years, so far from there

having been any economy, the total cost of administration shews a large increase. As pointed out in the 3rd paragraph of our letter of June 30th "personal emoluments" alone have risen by £2 8s. 0d. per head of the population between 1920 and 1930—figures for 1931 are not available. Most farms have already brought down the rate of wages, but the workmen in Port Stanley strongly objected to any reduction of their wages unless the Government Officials shared in similar reductions and unless the general expenditure were curtailed.

We offer the strongest criticism on the recent grant of free passages to England and back every 2½ years to officials and their families, which is a very heavy charge on the Colony for which we see no adequate reasons. Such grants in the case of African colonies are necessary for climatic reasons, whereas the climate of the Falklands Islands is one of the healthiest of all British colonies, and the existing rates of official salaries are on a sufficiently high scale to enable the officials to pay their own travelling expenses. It would seem that in the case of some of the minor officials the grant of leave passages must represent a very large addition to the substantive salary. The Colonial Government must, and we venture to say, does realise the very strong feeling amongst the local working classes on this particular matter. The only local newspaper is run under the auspices of the Government, and there is consequently no means of ventilating public opinion, a decided anomaly in a Colony populated entirely by whites, of whom over 95% are British.

5. We may mention a few other specific instances in which economy could be exercised without delay.

COLONIAL SECRETARY'S DEPARTMENT.

We would ask the Secretary of State to consider whether an appreciable retrenchment should not be effected here. Salaries of most Government officials have been very much increased of late years, and we cannot think that an Assistant Colonial Secretary at £500 a year is necessary in so small a Colony.

MILITARY DEPARTMENT.

We are of opinion that this should be considerably reduced, for no reasonable person would contend that the Volunteer force could ever be of any military value whatever. It may be a paradox, but we may say that the very defencelessness of the Colony is really its strongest defence, for any show of opposition would result in reprisals, and what possible chance could 80 to 100 Volunteers have? The expenditure, estimated at £700, for a machine gun is an unnecessary and useless extravagance.

VETERINARY SURGEON.

We recommend that this office should be abolished at the earliest possible date. What the Colony requires is an Inspector of Stock at about one-third or one-quarter of the cost of a Veterinary Surgeon, which must be costing the Colony not less than £1,000 a year, when quarters, horse allowance, and free leave passages are considered. We believe that a suitable Inspector of Stock could be found locally.

6. Generally speaking, we believe that in every other Colony drastic reductions in the emoluments and in the personnel itself have had to be made, and it is patent that unless the Dependencies contribution of £9,000 per annum is continued, either in its entirety or at a reduced figure, the loss to the revenue of the Falkland Islands proper under that head must be made up by reduction of expenditure, for the sheepfarming industry cannot bear any further taxation as it is now being carried on at a loss.

As we have frequently pointed out, all revenue collected in the Falkland Islands proper is derived ultimately from sheepfarming, and if it is contemplated that that industry must make up the deficiency, it means that farmers cannot continue to pay the present amounts in wages. We have said above that local opinion is very seriously exercised by the fact that the working classes are called upon to make all the sacrifices, and unless the Government expenditure is very appreciably cut down, it will not be a matter for surprise if those classes make a demand for representation on the Legislative Council and some voice in the control of public expenditure.

I am, etc.

Colonial Office to Sheepowners' Association.

Downing Street, 22nd March, 1933.

I am directed by Secretary Sir Philip Cunliffe-Lister to refer to your letter of the 30th November and to inform you that he has agreed that the contribution from the Falkland Islands Dependencies towards the cost of the Central Administration shall be £9,000 for the year 1933, on the understanding that this figure is reviewed if the balance of the Dependencies' revenue over other expenditure for the year proves inadequate to bear that sum. A number of special economies in Government expenditure have been submitted in connection with the Estimates for the current year, and the additional suggestions put forward in your letter are under discussion with the Governor.

I am, etc.

Sheepowners' Association to Colonial Office.

London, 28th March, 1933.

I am requested by the Committee of the above Association to acknowledge the receipt of your letter of the 22nd instant, and to express their appreciation of the decision of the Secretary of State in regard to the renewal of the contribution of the Dependencies of the Falkland Islands towards the cost of the Central administration for the current year.

2. The Committee notes with satisfaction that special economies in expenditure are under consideration; such economies are the more imperative at the present time in view of the fact that over one third of this year's wool sold this month realised an average of only 6·85 pence per lb as compared with 8·07 pence in the corresponding wool sales of last year, a fall of 15%, or 1½d. per lb. These prices are considerably below the cost of production, and moreover the wool just sold constitutes the best of this season's clip.

I am, etc.

Sheepowners' Association to Colonial Office.

London, 6th December, 1933.

The Committee of the above Association desire to take advantage of the presence in England of both His Excellency the Governor and the Colonial Secretary of the Falkland Islands to place before the Secretary of State for the Colonies some views as to the general policy of the administration of the Colony, which will possibly have to undergo some alteration on the probable cessation of whaling in the Dependencies.

2. We would preface our remarks by a short review of the changes in the conditions generally in the Falkland Islands during the past 30 or 40 years. By the year 1880 sheepfarming had been definitely established and the industry progressed steadily and reached its zenith, as regards the number of sheep depasturing, in 1896, since when the numbers have declined. It is unquestionably the one really stable industry of the Colony, and the Government has recognised the risk of depending solely upon that one industry; it has instituted investigations in recent years as to the possibility of introducing subsidiary industries and has obtained at considerable expense expert reports upon, for instance, peat compression, forestry, fisheries, and mineral work. It has been established beyond question that no other industry is feasible.

3. Sheepfarming consequently has to pay directly or indirectly, the whole cost of maintaining itself, the Government, and the town of Stanley. Prior to the establishment of sheepfarming and until quite recent years, Stanley had some independent means of existence in that it was a refuge for sailing vessels trading round Cape Horn, many of which had to call for repairs, and was also a base for the South Atlantic Squadron, the individual ships being stationed one by one at Stanley during six months of the year. Steam finally ousted the sailing ship, the *coup de grace* so far as Stanley was concerned being given by the opening of the Panama Canal; and the concentration of the British Fleet nearer home waters entailed the abolition of the Atlantic Squadron. More recently the whaling industry brought some work to Stanley, and incidentally increased the cost of administration very considerably. Whaling has now declined very seriously and the system of dealing with whales on land stations in the Dependencies seems unlikely to survive.

4. External means of livelihood have virtually ceased to exist for Stanley, and yet the population has increased by 20% since 1896. The curse or drawback of modern civilisation seems to have descended upon the Falkland Islands in that its Capital town and the Government are living upon the farming industry without giving commensurate service in return. Sheepfarming is self-contained, and for all practical purposes can operate effectively without carrying the ruinous overhead charges represented by the cost of maintaining Stanley and the Government at present rates.

5. We propose to support the foregoing contention by a few figures culled from Government publications. We have said that sheepfarming reached its zenith and is declining:—

In 1896 the Colony carried 800,000 sheep.	Population 1992.
„ 1914 sheep declined to 700,000	„ 2213.
„ 1926 „ „ further to 600,000	„ 2271.

This increase of population *vis-à-vis* the decrease in the number of sheep is not all; the following table shows how the population of Stanley increased whilst that of the country districts decreased, although the latter really bears the total cost:—

	Country districts.	Stanley.	Total.
In 1896	1,298 (65%)	694 (35%)	1,992
„ 1921	1,197 (57%)	890 (43%)	2,087
„ 1931	1,196 (50%)	1,196 (50%)	2,392

NOTE.—Actual figures for 1931 are not available, but the Blue Book report for that year says on page 5—“approximately one-half “of the inhabitants live in Stanley, the capital.”

6. During the years 1925—1931 some £100,000 has been spent on Public works in Stanley; what has been spent on the "camp," as the country districts are termed? From a rough calculation of the expenditure for 1931 we estimate that out of a total of £55,000, roughly £26,000 represents general cost of Government, £22,000 is spent in Stanley, and £7,000 only on the camp; or, calculated in percentages :—

Government and general expenses absorbs ...	47%
Stanley	40%
Country districts, or camp	13%

The financial position of the Colony is regarded as being quite strong, at present. This is largely due to the Land Sales Fund which stood at £235,000 in 1931; the whole of this fund which brings in a revenue of £11,000 per annum was contributed by the sheepfarming industry.

7. A perusal of Blue Book Reports for some years past indicates that the main objective of the Government seems to be the spending of money obtained from sheepfarming upon improving conditions in Stanley. Pages of these reports are devoted to health, housing, public works, and welfare institutions, *all* for the benefit of Stanley. For the past four years sheepfarming has not paid the cost of production and yet its proceeds are taxed at a higher *ad valorem* rate than whaling. We feel bound to protest against the injustice of maintaining the export tax on wool under such conditions, for it means simply that the Government is increasing the farmers' losses and utilising that money to swell the "surplus balance" which is spent for the benefit of Stanley. We contend that the time has arrived for some alteration in the administration; the fact must be faced that the only source of revenue is sheepfarming, and that the administration must cut its coat according to the cloth available.

8. We consider that the first step to be taken is the improvement of local communication. The present carriage and service of mails from the outer world is as good as the Colony can look for at present, and is efficiently done. Facilities for movement locally are restricted to riding or taking passages in the local steamer, which steamer however has to be away from Colonial waters a good deal carrying mails between Stanley and Montevideo, and the Dependencies.

9. The Committee advocates the construction of a main road from Stanley to some port in the Falkland Sound, where a boat should be stationed to run across to a port on the West Falkland. From that port a road across the West Falkland Island should be

constructed in the course of time. Such a main communication would greatly reduce the isolation of the camp dwellers, and would do much towards fusing the interests of the population of Stanley and the camp. One of the most important of the disabilities of the camp population is the matter of the education of children. If facilities can be provided to enable people to travel freely and easily over the Colony, this disability could be overcome, and there would be a freedom of movement enabling sheepfarms to employ men on special projects for improving the land, and increasing the sheep carrying capacity.

10. Some such projects that we have in mind are :—

ROAD MAKING. After main roads suggested in the previous paragraph have been constructed, subsidiary side roads would naturally follow and would provide an alternative for transport of provisions and materials in the event of an interruption of the coastal service.

BRIDGING OF STREAMS. Streams crossing the track of the main roads would be bridged in the course of the construction of such roads, but much more bridging is required in the country districts generally, for facilitating transport and for the moving of stock which have at present to be dogged through streams or ditches.

DITCHING AND DRAINING. With improved means of travel station holders might be able to employ casual labour during the summer months on this work, thereby saving losses of sheep and other animals in bogs and marshy ground, and increasing the stock carrying capacity of the land.

SAND GRASS PLANTING. Many districts, especially on the West Falkland, tend to become useless through drifting sand—to save these areas sand grass plants are required in large quantities.

GUANO DEPOSITS. There are various deposits of guano on penguin and other bird rookeries which should be utilised on the land. Such deposits are mostly in rather inaccessible situations, and some assistance from public funds might in course of time be granted in order to place the guano within reach of shipping transport for the farms. We would take this opportunity of recalling

the fact that about 10 or 12 years ago the option of a concession was given to some London firm to collect and export guano; this lapsed after two years, and upon the representation of the unofficial member of the Executive Council it was not renewed. We trust that no similar concession will ever be granted, for whatever guano exists on the Islands should be reserved for local use.

EXPORT OF SURPLUS SHEEP. Surplus stock at present can only be dealt with by boiling down for tallow, but the cost of casking and freight to England renders this almost unremunerative. The only other practical means of disposal is the sale of live sheep to Bahia Blanca, but at existing values freight would absorb most of the proceeds. Financial assistance is indispensable before the resumption of such sales could be effected, and we invite the local Government to consider this matter in connection with our subsequent representations on the question of a grant from the Whaling Research Fund.

11. We have for the past 5 years urged that the possible collapse of whaling should be kept in view, and in the concluding paragraph of our letter to the Governor, of September 28th, 1931, we asked for the "allocation of a sum from accumulated Research funds to meet the expenses of the possible abandonment of whaling in the Dependencies." The Colonial Secretary in March, 1932, informed us in reply that the Governor anticipated receiving the views of the Secretary of State on the matter, but nothing further has been heard. Meanwhile whaling methods have undergone drastic changes—large ocean-going factory ships for pelagic whaling are being operated, and it would seem from the Colonial Office letter of March 22nd last that a serious drop in whaling revenue is feared, so much so that the contribution of £9,000 may not be forthcoming.

We quote from previous correspondence on this question:—
On October 10th, 1928, we wrote (paragraph 6)

"In fact, so far as we are concerned, it is a matter for regret that the Falkland Islands ever became the headquarters of the whaling industry."

In reply, the Colonial Office wrote on November 28th, 1928:—

"Mr. Amery is confident that the Association would not wish to contemplate the alternative possibility, namely a severance of the present connection and the administration of the Dependencies by a Commissioner stationed in South Georgia."

The Association replied, on January 3rd, 1928:—

"We do not desire the severance of the Dependencies, but should not be particularly alarmed at the prospect provided

"that the Dependencies assumed all future liabilities, and provided that it were possible for the Falkland Islands Government to be restored to the *status quo*."

We have no information as to the present state of the whaling industry in the Dependencies, that is to say we do not know whether it is still being carried on at South Georgia, the South Shetlands and the South Orkneys, or whether only pelagic whaling is being operated. The indications are that whaling companies may be forced to adopt this method and abandon land stations altogether in order to produce oil at the same low cost as pelagic. In such a case no revenue from the Dependencies will be forthcoming, and whaling so far as the Falkland Islands are concerned, will have ceased. If it is regarded as having ceased, there is the greater reason for allocating at once a substantial sum from the Research Fund for payment of future pensions, and also for the improvement of the Falkland Islands proper. But if it is regarded as an industry in being, we now say that we would welcome the severance of the Dependencies and the restoration of the administration of the Falkland Islands to its dimensions prior to 1905. If this is not feasible, steps should be taken without delay to reserve to the Falkland Islands some proportion of the Fund before it is entirely dissipated. After all, it will not be denied that whaling research has become a world-wide concern, and it is altogether inequitable that the whole cost should be borne by the Falkland Islands. The opening paragraphs of this letter show that sheepfarming is its sole industry, and that industry cannot shoulder the burden of pensions that will become payable to, both officials whose whole time has been occupied by whaling questions, and other officials whose salaries have been increased consequent upon the addition of whaling work.

12. We have been criticised for addressing the Secretary of State direct, instead of through the Governor of the Colony; seeing that both His Excellency the Governor and the Colonial Secretary are now in England we excuse ourselves for so doing on this occasion as it may afford the Secretary of State an opportunity of discussing these matters with these officials before they return to the Colony.

I am, etc.,

Sheepowners' Association to Colonial Office.

London, 14th December, 1933.

In further reference to my letter of the 6th instant and my interview at the Colonial Office, we would explain that with regard to paragraph 9 of that letter we do not suggest metalled roads which could not be constructed except under prohibitive cost, but what we would term a "track" over which a motor car or a lorry could travel at any time during the summer months. There are already on the East Falkland about 100 miles of such track; as this was constructed by the permanent hands on the farms at such times as labour could be spared, the cost was probably not more than about £15 per mile. If constructed by special labour from Stanley, the cost would of course be higher, but we think that it should not exceed £25 per mile. The cost of bridges would be governed by the line which these tracks would take, and could only be ascertained after a preliminary survey of the route. Naturally such tracks would develop soft spots, and these would be improved year by year.

2. We think that negotiations should be opened on the spot with the owners of stations through which the tracks would run—it is probable that arrangements might in many cases be made by which such station holders would carry out a great deal of the work with extra men specially engaged for this purpose from those now unemployed, and would in many cases provide housing facilities for the labour employed on the work, the Government defraying the total cost of the same. In all probability it would be necessary for the Government to undertake the construction of the bridges; this however should be settled locally.

3. Across the East Island not more than 20 miles are required to complete the track from Stanley to the Falkland Sound, and the cost of upkeep of this would not be serious. The work should be financed from the vote for Public Works Extraordinary, which for some years has averaged approximately some £15,000 per annum, the bulk of which has been spent upon Stanley and its neighbourhood.

I am, etc.

P.S.—Since the foregoing was written I have received from the Managing Director of the Falkland Islands Company London a letter of even date as follows:—

Referring to our conversation on Monday last, as I think you are aware, on the Company's camp, tracks sufficiently

serviceable for a motor car and for all likely requirements, have already been made:

from Darwin to Fitzroy	about 50 miles.
„ North Arm	„ 40 „
„ Port Sussex	„ 6 „

This work has cost about £14 per mile with an addition of say £10 to £20 for bridging each of the few small streams to be crossed.

Having regard to the nature of the ground I think you will agree that it would be sheer waste to attempt to spend more money than the sum indicated in the provision of metalling, etc. The Falkland Islands Company is at present considering the construction of a bridge 12 feet wide across the Fitzroy River at Patterson's Point. The total length of this would be about 607 feet, and the cost is estimated to be in the region of £4,000, *i.e.* utilising such material as we have on hand.

As you will appreciate, this bridge would be on the high way from Stanley to Darwin and the Sound and should prove an immense advantage to inter-communication in years to come especially if in connection with it means were provided at its Western terminus for a motor boat service to ply to and from the West Falklands.

Sheepowners' Association to Colonial Office.

London, 9th January, 1934.

With reference to your letter of November 9th, 1932, I should be glad to know whether any decision has been arrived at as regards the annual land purchase instalment for the year 1934, that is to say whether its suspension for 1934 has been definitely sanctioned.

I understand that these deferred payments will not in any way affect the final purchase of the freeholds, beyond extending the period, over which the payments are made, to 31 or 32 years as the case may be, instead of 30 years as provided for in the Land Ordinance of 1903.

I am, etc.

Colonial Office to Sheepowners' Association.

Downing Street, 11th January, 1934.

I am directed to acknowledge the receipt of your letter of the 9th of January, and to inform you that the Secretary of State has approved a recommendation by the Officer administering the Government of the Falkland Islands for the extension for the year 1934 of the concession granted for 1933 with regard to the annual land purchase instalments.

I am, etc.

Colonial Office to Sheepowners' Association.

Downing Street, 10th January, 1934.

I am directed to acknowledge the receipt of your letters of the 6th and 14th December, suggesting certain projects in the interests of the development of the Falkland Islands.

2. At the interview in this Office on the 12th December, it was explained that proposals for financing the projects referred to from the Falkland Islands Research and Development Fund could not be entertained; but that consideration would be given to the question whether it would be advantageous to provide for any of the works suggested by the postponement of other works for which provision has been made under the Public Works Extraordinary Head of the Estimates for 1934. Mr. Ellis, who is returning to the Colony by the next opportunity, is to examine, on his arrival in the Colony, to what extent the relative provisions in the Estimates will admit of the modifications indicated.

3. The Secretary of State has approved of the contribution from the Falkland Islands Dependencies towards the cost of the Central Administration being continued at £9,000 for the years 1933 and 1934.

I am, etc.

Sheepowners' Association to Colonial Office.

London, 16th January, 1934.

I am in receipt of your letter of the 10th instant on the subject of projects for works in the Falkland Islands suggested by the Association.

2. The Committee desire me to express their thanks for the action taken in the matter, and to request you to convey to the Secretary of State their appreciation of the decision that the contribution from the Dependencies toward the cost of central administration is to be continued at £9,000 for the year 1934.

I am, etc.

Colonial Office to Sheepowners' Association.

Downing Street, 29th May, 1934.

With reference to the correspondence terminating with your letter of the 16th January, I am directed by Secretary Sir Philip Cunliffe-Lister to inform you that he has approved a recommendation by the Officer administering the Government of the Falkland Islands that, as an emergency measure and as an integral part of the programme of unemployment relief works, tracks passable by motor traffic should be constructed at the entire cost of the public funds over private lands between Stanley and the Fitzroy River on the way to Darwin, and between Stanley and the Estancia at the south-eastern extremity of Salvador waters on the way to Teal Inlet, Douglas Station and the north camp of the East Falkland.

2. The arrangement in force hitherto, whereby the cost of improving communications has been met by the Government over suburban lands only, and the cost over private lands has been shared with the owners on a half-and-half basis, is to remain in force as applicable to improvements carried out elsewhere, and its modification in respect of the two tracks mentioned is to be regarded as a temporary arrangement in the exceptional circumstances which at present prevail.

3. On the question of the cost of administering the Colony the Acting Governor has reported that the estimate of the ordinary expenditure has been reduced steadily from £47,504 in 1929 to £37,292 in 1934, and that every opportunity is seized, as it occurs, to enforce further reductions in recurrent services.

I am, etc.

Sheepowners' Association to Colonial Office.

London, 1st October, 1934.

As the annual Estimates of the Falkland Islands for 1935 will be under the consideration of the Secretary of State for the Colonies, the Committee of the above Association takes the opportunity of appealing for the continuance of the contribution of £9,000 from the Dependencies towards the cost of central administration.

2. The case for the Falkland Islands farmers was raised first in our letter of October 10th, 1928, and has been the subject of various correspondence since. In the course of that correspondence we have disclaimed the idea that the farmers regard themselves as entitled to participate in the profits of the whaling industry; their sole contentions are: (i) that whilst the whaling industry is in being, it should bear its proportion to the cost of Government. That proportion should be not merely a fair one, but even on generous lines in view of the facts stressed in the 5th paragraph of our letter of January 3rd, 1929, that whaling had not had to bear any part of the initial cost of providing the machinery of Government. (ii) that in view of the possibility that whaling in the Dependencies may collapse at any time, the sheepfarming industry should be safeguarded against being saddled with the total cost of administration of the Colony proper until the standard of Government can be reduced to its original level, that is to say until the official staff has been reduced to adequate proportions, and provision made for pensions, where necessary, to officials for whom other posts cannot be found.

3. As regards (i) we submit that the contribution should be maintained at the existing figure of £9,000. Sheepfarmers bear a direct tax of $\frac{1}{2}$ d. per lb. on wool, which tax produces a total of about £9,000, and it is only just that the whaling industry should contribute a like amount. If, by economies in administration, it is possible to reduce the tax on wool, then we would regard it as quite equitable that the whaling contribution should be reduced in the same proportion, but so long as the direct tax on sheepfarming is maintained at a rate that produces £9,000, we consider that the whaling contribution should be maintained at that figure.

4. As regards (ii) we asked in our letters to the Colonial Secretary at Port Stanley dated September 28th, 1931, and to the Secretary of State dated June 28th, 1932, that a substantial sum should be allocated from the Research Fund. The only reply we have received is the concluding sentence of the Colonial Secretary's letter of March 29th, 1932, to the effect that the Governor anticipated receiving the Secretary of State's views in due course. In

view of the lapse of over 2 years without any reply we may be excused a feeling of uneasiness, and we urge that at least some definite undertaking should be given that the Research Fund will not be allowed to be entirely dissipated without provision being made to safeguard the sheepfarming industry as indicated.

I am, etc.

Sheepowners' Association to Colonial Office.

London, 1st October, 1934.

The Committee of the above Association desires me to address you on the subject of the suspension of Land purchase instalments for another year.

2. In the second paragraph of his letter of November 12th, 1932, the Colonial Secretary at Port Stanley wrote:—

“the grant of similar concessions in a future year will be reviewed in the light of circumstances prevailing at the time, but it is not contemplated that the suspension of the annual land purchase instalments will be extended in any event beyond . . . the end of the year 1935”.

The circumstances existing at present are that the rise in the value of wool in the early part of this year has not been maintained, and that values obtained at the sales of the past fortnight have receded to the level of the years 1932 and 1933 as will be seen from the following table:—

1932.	Average value in London per lb.			6.63 pence.
1933.	“	“	“	7. “
1934.	“	“	January 73 Bales	9.01 “
			March 2426 “	12.81 “
			May 1175 “	9.86 “
			July 975 “	7.47 “
			September 1704 “	6.63 “

When marketing expenses, about $1\frac{3}{4}$ to 2d. per lb., and the export tax of $\frac{1}{2}$ d. per lb. have been deducted from these figures, the residue to the farmer is far below the cost of production.

3. Although therefore the average value for 1934, about $9\frac{1}{2}$ d. gross, is an advance on previous years, most farms, we do not say all farms, are still in a serious position as they have not been able to wipe out the losses of past years.

The Committee therefore appeals for the suspension of payment of land purchase instalments for the ensuing year.

4. This appeal is made with the concurrence of the Chairman of the Association, Mr. G. Bonner, who is expected to return from the Falkland Islands in the early part of 1935.

I am etc.

Colonial Office to Sheepowners' Association.

Downing Street, 5th October, 1934.

I am directed by Secretary Sir Philip Cunliffe-Lister to acknowledge the receipt of your letter of the 1st October, and to inform you that, on the recommendation of the Officer Administering the Government of the Falkland Islands, he has approved the extension for the year 1935 of the concession granted for 1933 and 1934 with respect to the land purchase instalments.

I am, etc.

Colonial Office to Sheepowners' Association.

Downing Street, 23rd October, 1934.

I am directed by Secretary Sir Philip Cunliffe-Lister to acknowledge the receipt of your letter of the 1st of October, and to inform you that he is unable to entertain the suggestion that the amount of the contribution to be made by the Falkland Islands Dependencies towards the cost of the Central Administration should be determined by the rate or yield of the tax on wool exported from the Colony.

2. It is in contemplation that, commencing with the year 1935, progressive reductions shall be made in the amount of the Dependencies' contribution, but a decision on this question is to be reserved pending a discussion with the new Governor, to whom a copy of your letter will be communicated.

3. The question of retaining a part of the Research and Development Fund as a reserve for the general purposes of the Dependencies is also to be discussed with Mr. Henniker-Heaton.

I am, etc.

Sheepowners' Association to Colonial Secretary, Falkland Islands.

London, 6th August, 1935.

Sir,

I am desired by the above Association to thank you for your letter No. 81/35 of May 18th enclosing a copy of the Minutes of a Conference of Farmers and to express its great appreciation of the interest taken by His Excellency the Governor in the welfare of the sheepfarming industry and his desire to assist in every possible way by the methods and proposals indicated in his Address to the Conference.

2. The Association feels that in view of the practical cessation of whaling in the Dependencies, it is imperative that every effort should be made to restore, as far as possible, the standard of Government to the proportions obtaining prior to the commencement of the whaling industry. It is recognised that this can be effected by gradual means only, but no time should be lost in making a beginning by reducing expenditure and limiting the Government staffs where practicable.

3. The Association has therefore drawn up the enclosed Memorandum on the financial position and administration generally, taking as a guide the Report of the Special Commissioner on British Honduras, whose Report was published in March, 1934. It is obvious that the circumstances, industries and interests of British Honduras differ widely from those of the Falkland Islands, but the similarity of the plight of both colonies in being saddled with an administration much too elaborate for a small population is so striking that many of the conclusions arrived at by the Special Commissioner for the former are particularly applicable to the Falkland Islands.

4. The Association requests that His Excellency the Governor will forward the Memorandum to the Secretary of State for the Colonies and trusts that he will feel able to support their recommendation for an enquiry.

5. Finally I am to say that all the Members present at the meeting held to consider this question specially desired me to stress that they much appreciate the interest which His Excellency has shown by conferring with Owners and Managers in the Colony, and that the Association is not animated by any spirit of opposition, but by a real desire to promote the welfare of the Colony as a whole.

I am, etc.

MEMORANDUM.

In commenting upon the finance and administration of the Falkland Islands and their Dependencies, it is necessary to begin with the whaling industry, which started in earnest in 1907; that year has therefore been taken as a basic year in the accompanying statistical tables. After that date the value of whaling products increased rapidly, the peak being reached in 1929 with a total value of over 5 million pounds.

2. Appendix III, a statement of Dependencies revenue and expenditure 1921/33 shows that the total revenue collected from whaling in those 13 years totalled £1,619,300, and expenditure totalled £668,068, leaving a surplus of £951,232. We do not find any published accounts showing what has been done with this huge sum. During those years the total contributed towards the cost of central administration was £109,734, or 16% of the total expenditure and only 7.3% of the revenue.

3. This contribution was maintained at £9,000 per annum from 1924 to 1932, but although the Colonial Office letter of January 10th, 1934 stated "the Secretary of State has approved of "the contribution of the Falkland Islands Dependencies towards the "cost of central administration being continued at £9,000 for the "years 1933 and 1934," the published accounts show that sums of only £8,722 and £7,012 respectively were actually paid. We understand that the contribution for 1935 has been placed at £8,000, but after the experiences of 1933 and 1934 the probability is that the actual contribution will fall far short of that figure.

4. Actual revenue from whaling in 1932 and 1933 was £17,446 and £12,081; the figure for 1934 is not available, but in the light of the above, the estimate for 1935 at £15,300 seems very optimistic. This estimate provides for 7 officials at South Georgia, 6 of whom are pensionable.

5. For the past 6 years, commencing with our letter of October 10th, 1928, we have drawn attention to the possibility of a collapse of the whaling industry and its effect upon the Falkland Islands proper. We have not ceased to urge that this possibility should be borne in mind, but have not received any assurance that the interest and position of the Falkland Islands would be safeguarded. Since 1929 pelagic whaling has made great strides, and our forebodings as to the collapse of the industry in the Dependencies seem to have been only too well-founded, for the value of exports from these has dropped from 5 million pounds in that year to £370,000 and £338,000 in 1932 and 1933. Probably the export in 1934 was a similar figure.

6. About four years ago we held a special meeting to review the position, and on September 28th, 1931, wrote the Colonial Secretary; that letter was received in November and 4½ months afterwards we received a reply which was a virtual refusal to render any assistance or to deal with the difficulties. Replying to that in June, 1932, we pointed out that whaling seemed to be collapsing and urged some action. We then obtained some temporary relief by the suspension of land purchase instalments, interest at 3% being charged. This expires after the present year.

7. On December 6th, 1933, we made a protest against the heavy expenditure in Stanley, and pointed out in the following words that the Colony has to depend upon sheepfarming alone:—

"Sheepfarming is unquestionably the one really stable industry of the Colony, and the Government has recognised "the risk of depending solely upon that one industry; it has "instituted investigations in recent years as to the possibility "of introducing subsidiary industries, and has obtained at "considerable expense expert reports on, for instance, peat "compression, forestry, fisheries and mineral work. It has "been established beyond question that no other industry is "feasible. Sheepfarming consequently has to pay directly or "indirectly the whole cost of maintaining itself, the Govern- "ment, and the town of Stanley."

That has never been contested, and if we view the Colony as a business concern, it may be said that its capital is the land, and the only use to which that land can be put is the depasturing of sheep. The first sale of land was in 1890 to the Falkland Islands Company followed shortly by sale to Bertrand & Felton, after which it was stopped until 1903 when all lessees were allowed to purchase their holdings by instalments. These payments were credited to a Land Sales Fund, now amounting to £241,129, and the interest on this, estimated at £11,000 per annum, replaces the old rentals. This together with about £2,000 for interest on Reserve Funds and about £1,000 for sales of stamps to dealers and collectors, a total of £15,000, is the only revenue that the Colony, as a business concern, can look for outside the product of the land, and whatever additional revenue is required for Government purposes, whether in the shape of customs duties, dues, fees etc., must come from the value of wool, etc., exported.

8. We have, therefore, arrived at the point that here is a community of less than 2,500 people dependent upon an industry whose exports in 1933 had dwindled in value to £112,000, with an elaborate administration which spent in that year £54,000. It seems self-evident that that expenditure must be drastically cut without delay.

9. We may now take as a guide the Report of the Special Commissioner on British Honduras and will start by quoting from Page 53—

“The first essential step towards economy is the recognition that a small community of 50,000 people cannot support the present elaborate administration and that it is essential to evolve a simpler and more economical ‘organisation’.”

(Note.—British Honduras annual expenditure for 50,000 people is £185,000 or per head of the population £3 7s. 0d.
Falkland Islands—2,500 people, £54,000 or per head of the population £21 6s. 0d.)

“This will involve in the first place, on the occurrence of ‘a vacancy, an alteration in the emoluments of the Governor’, etc., etc.

“In a small Colony of this type the Governor cannot stand ‘outside the system of administration, as he necessarily must ‘in the great Colonies, but should be its real working head. ‘In no other way can he have adequate work.

“He should therefore, in general, be his own Colonial ‘Secretary, and that separate post should be abolished.

“On the other hand it is necessary to provide not only for ‘his absences from headquarters on visits to other parts of the ‘Colony where there are inadequate means of communication ‘with Belize’.”

This last contingency does not apply to the Falklands, but it is realised that the question of an Acting Governor during absences from the Colony presents a problem. This problem is not however, a new one—the difficulty has been met on several occasions in the past by an officer being sent out specially to administer the Government whilst the Governor was on leave.

The British Honduras Commissioner proceeds to discuss the possibility of amalgamating certain posts, and remarks on page 60 that “their whole emoluments are not represented by their salaries ‘and it is necessary to consider the question of concealed emoluments, including special allowances of all kinds’”. Such allowances in the Falkland Islands are shown in Appendix VI, but the value of passages for leave in the U.K. cannot be stated as no information is available.

The Commissioner then deals with the pay of subordinate officials, remarking on page 62 “the present scales do not appear ‘to be unreasonable for competent men, more especially as all

“salaries are subject to the temporary general levy of 10%, but the ‘proportion of clerks in the higher grades seems excessive. . . . ‘It is the number rather than the scale of pay which seems open to ‘criticism’. This may be applied to the Falkland Islands—Appendix V shows how the staffs have increased; no such levy as 10% on salaries has ever been exacted in the Falkland Islands.

10. We may follow the procedure of the British Honduras report and comment upon the expenditure of the Departments *seriatim*: the first figure quoted will be the actual expenditure in 1907 and the second the estimated expenditure for 1935.

Pensions: 1907—£356. Estimate 1935—£1,713.

This expenditure is likely to increase annually.

Colonial Secretary: £874—£2,502.

An establishment of four clerks and three printers, with provision of £40 for extra clerical assistance, appears to be out of all proportion for a Colony of this size.

Treasury and Customs: £807—£1,572.

Does not show such a disproportionate increase.

Audit: £28—£260.

We fail to see any justification for such an increase, and suggest that the old system of audit by the Exchequer and Audit Office in London at a moderate cost might be reverted to. A clerk to the Auditor seems quite unnecessary, and should be dispensed with.

Post Office: £3,426—£2,197.

The high figure in 1907 was on account of ocean mail subsidy.

Wireless and Electrical: New services £1,384 and £1,944.

These services are estimated to cost together in 1935 £3,328, against which receipts £1,935 are expected. A decided effort should be made to make these services more self-supporting and we suggest that broadcasting should be abolished. Radio sets are easily procurable.

Harbour:

Scales of pay appear high, especially £170 for deck hand of the launch. That office is also pensionable!!

Police and Prisons: £667—£985.

This does not show a disproportionate increase.

Medical: £864—£5,335,

subject to estimated receipts of £1,300, leaving expenditure nett £4,035.

The Association is not in a position to criticise the details of this expenditure, which shows a very heavy increase. The great benefit derived by the people of the Colony from the medical service is fully recognised.

Education: £823—£2,767.

This Department shows a similarly heavy increase, and whilst we recognise the necessity for giving as good an education as possible to the children of Stanley and the camps, we are strongly of opinion that equally good results could be secured at much less expense.

According to the reports, the average attendance at the Stanley School was 120 in 1918 and 187 in 1934. The teaching staff is Headmaster, £600; Assistant Master, £350; two Assistant Mistresses, £240 each; Assistant Teacher, £76, with a provision of a further £134 for extra teaching assistance. The staff appears to be unduly high, and this may be explained by the fact that the Headmaster is also Auditor, and for about two years past has also acted as Registrar and Magistrate. We consider that the post of Headmaster of a school of nearly 200 is a "whole-time job", and that his time should not be encroached upon for work quite outside his sphere. The teaching staff would not then need to exceed normal requirements.

We question whether instruction in shorthand is of any value to even 5% of the school children—in any case, proficiency in this cannot be obtained until a pupil has left school and is usually acquired afterwards. We think this item should be discontinued.

Naturalist: £50 Falkland Islands and £125 Dependencies.

Can it be contended that the Colony derives £175 worth of benefit annually from this expenditure?

Military: Nil—£1,135.

We agree with the British Honduras Commissioner as to this expenditure, and we repeat our remarks of November 30th, 1932:—

"No reasonable person would contend that the "Volunteer force could ever be of any *military* value "whatever. It may be a paradox, but we may say that "the very defencelessness of the Colony is really its "strongest defence, for any show of opposition would "result in reprisals, and what possible chance could 80 to "100 volunteers have?"

We think that any disciplinary advantages that may be afforded to the younger men in Stanley could be secured in other ways, by supporting Boy Scout Movement, for instance.

Miscellaneous: £3,038—£3,835.

The item which we strongly criticise is that for passages, £1,800, as to which we wrote fully on November 30th, 1932.

We observe that the newspaper "Penguin" is estimated to cost £450 and that the estimated receipts are £300. We think that either this should be self-supporting, or that it should be abandoned.

Public Works: £3,174—£19,023.

Should be subjected to a most drastic revision.

Expenditure under this head could be more competently criticised on the spot. We will, however, remark that in our letter to the Secretary of State dated 6th December, 1933, we estimated that taking the Government expenditure as a whole, the proportions spent on general administration expenses, Stanley, and the camp were roughly in the ratios 47%, 40% and 13%. The bulk of the 40% spent on Stanley is represented by Public Works from which sheep-farming derives no benefit.

Appendix VII shows that in 1905 the Colony was depasturing 700,000 sheep; experience has shown that the land was being over-stocked and that 600,000 is about the maximum. In 1905 the population was 2,007, and at that time, *vide* paragraph 3 of our letter of December 6th, 1933, Stanley had other resources such as ship repairing. In the present year, with less sheep, ship repairing quite dead, and whaling moribund, we have a population increased to 2,437. Sheep-farming cannot support this increase, and yet we see from the Estimates for 1935 that it is proposed to spend this year £1,750 for "extension of Stanley for building plots". Why? We urge that most of the proposed expenditure on Public Works Extraordinary should be cancelled.

Revenue, Appreciation of Investments:

In the years 1933 and 1934 sums of £2,312 and £28,659 are included as revenue under the above heading. There is also an item "Profit on sale or transfer of investments" "£7,626".

This last item would indicate that investments had really been sold and that the sale had resulted in a profit of £7,626. Revenue may therefore be claimed, as the money was actually received. But the first two items seem to us to be in quite a different category—apparently no transaction has taken place, but the market value has appreciated. How can that appreciation be claimed as tangible revenue if the money has not been received?

11. All the foregoing brings us to a definite conclusion that the whole financial and economic position of the Falkland Islands should be investigated by a Special Commissioner as in the case of British Honduras. Such a Commissioner would have access to all data and information, and would be in a position to elucidate and report upon many subjects, especially the following:—

(i) Whaling Finance:

From 1923/1933 whaling exports were worth	£30,970,726
" sheep-farming „ „ „	2,370,872
" F.I. Government expenditure was	621,191
" whaling contribution to above was	94,722

so that during these 11 years, whaling, with a product of 31 million pounds, contributed £94,722 to F.I. Government, whereas sheep-farming, with a product of about 2½ million pounds, contributed £526,409.

(ii) Land Sales Fund:

At the end of 1933 totalled £271,916, but by the end of 1934 had been reduced to £241,129. We enter the strongest protest against this encroachment on this Fund which is the Colony's principal source of revenue. This expenditure in 1933 of over £30,000 of Capital results in future decrease of annual revenue, and no further encroachment on that Fund should be permitted.

(iii) Research Funds:

No accounts are published showing the actual receipts and expenditure; the estimated position on January 1st,

1935, was a balance of £370,000, or £37,000 less than on January 1st, 1934. What prospect is there of any more revenue accruing to this fund, and what sum should be allocated to the Government of the Falkland Islands for the cost of liquidating all commitments due to the establishment of the whaling industry in the Dependencies?

(iv) Present Position of Whaling:

Is the industry in the Dependencies really dead, or what probability is there of its reviving sufficiently to warrant the continuance of the South Georgia establishment? If whaling from shore factories is really at an end, how is the South Georgia establishment to be dealt with?

(v) Industries of Falkland Islands proper:

The position of the sheep-farming industry, its relation to Stanley, and whether there are any prospects of subsidiary industries being established.

(vi) Population:

If our contention is correct that sheep-farming is the sole industry of the Colony, how many people can it be expected to support, and what steps should be taken with regard to the redundant inhabitants?

(vii) Standard of Government:

In view of the low value of sheep-farming exports and the population, what standard of Government is compatible and what expenditure is warranted? We have criticised present expenditure according to the information at our disposal, but in regard to such departments as Medical, Education and especially Public Works, it is evident that their functions and work can only be investigated on the spot.

12. By asking at once for such an investigation and special enquiry into the financial position and administration we are not open to any suspicion or suggestion that our remarks and criticisms are directed against the present Governor and staff. We think, in fact, that such an independent enquiry would strengthen his hands.

6th August, 1935.

REVENUE.

Department	Year 1907	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
Customs	£ 5,124	4,998	3,635	4,319	14,277	14,288	16,020	15,736	15,503	18,259	13,624	15,025	13,968	13,112	15,271
Tonnage and Port Dues	226	480	465	504	544	559	542	576	388	636	415	313	149	124	122
Licences and Internal Revenue	910	9,152	8,921	8,911	632	714	669	686	1,014	984	1,072	1,132	1,163	1,223	1,233
Fines, Fees and Reimbursements	1,436	3,769	2,015	1,429	1,363	1,207	1,330	1,280	907	2,859	2,065	1,403	1,511	1,849	1,954
Interest	4,221	12,883	11,150	10,512	10,769	11,916	15,465	13,791	13,808	13,545	13,303	13,519	14,488	13,956	14,321
Post Office	1,145	2,035	1,556	2,018	1,990	1,538	1,444	1,604	2,233	9,480	2,374	1,151	1,230	9,100	1,410
Telegraphs and Telephones	—	—	—	—	—	1,953	1,408	1,896	2,118	1,468	5,987	2,468	2,609	2,468	2,257
Rents	4,175	821	752	1,098	980	631	1,285	811	1,016	936	832	1,112	1,132	1,135	1,114
Miscellaneous	193	446	1,042	1,324	7,363	7,977	4,649	4,938	5,024	9,473	12,866	6,681	5,316	5,333	10,581
Contribution from Dependencies	—	—	8,000	5,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	8,722	7,012
Total, Ordinary Revenue	£ 17,430	34,584	37,536	35,115	46,918	49,783	51,812	50,318	51,011	65,650	62,088	51,804	50,566	57,022	55,275

NOTES.—The above Return excludes any extraordinary receipts, such as refunds or appreciation of securities, which are not strictly revenue.

1924. An export tax was substituted for land tax; hence diminution under Licences and Internal Revenue, and increase in Customs receipts.

1929. Miscellaneous includes £3,000 recovered for Fire Insurance, and £1,000 for Sale of "Afterglow".

1950. Do. £6,451 received from Savings Bank.

1952. The Official publications of "Revenue" include the sum of £13,633 as "Appreciation of Investments"; As this can scarcely be regarded as real revenue, the item has not been included in this Statement.

EXPENDITURE.

Department	Year 1907	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
Pensions	£ 356	1,331	1,261	1,307	1,195	1,242	1,391	1,388	1,702	1,597	2,469	1,906	1,887	1,895	2,266
The Governor	1,527	2,460	2,464	2,447	2,570	2,326	2,229	2,490	2,571	2,234	2,314	2,282	2,335	2,456	2,283
Colonial Secretary	874	3,186	1,977	2,018	2,325	2,338	2,396	2,557	2,677	2,721	2,815	2,385	2,369	2,342	2,247
Treasury and Customs	807	1,648	1,730	1,786	1,651	2,021	1,845	1,888	1,925	2,028	1,669	1,655	1,579	1,567	1,572
Audit	28	—	—	—	—	—	—	—	—	—	295	125	126	123	126
Post Office	3,456	1,462	2,526	2,943	2,780	2,844	2,426	2,775	9,173	3,280	1,454	1,718	2,800	2,109	2,108
Wireless	—	—	—	—	—	—	—	—	—	1,662	1,362	2,093	1,170	1,348	1,533
Electrical	—	—	—	—	—	—	—	—	—	1,831	1,523	1,903	2,030	1,950	1,779
Harbour	93	2,274	6,367	5,191	7,969	5,395	5,496	5,161	6,581	1,276	852	786	713	712	719
Legal	—	379	515	280	258	231	269	510	144	157	147	372	599	515	99
Police and Prisons	667	1,013	827	981	961	978	981	1,022	982	1,089	898	895	923	895	972
Medical	864	2,916	3,605	3,558	3,051	3,596	3,304	3,649	5,183	4,527	3,872	3,930	4,255	4,694	4,818
Education	823	1,395	1,842	1,748	2,253	2,147	2,437	2,475	2,959	3,106	2,608	2,798	2,922	2,823	2,767
Ecclesiastical	347	224	289	289	289	289	157	422	324	324	324	289	289	289	289
Scientific and Naturalist	—	1,659	1,314	996	916	940	374	152	54	50	28	51	52	39	55
Military	—	103	347	332	441	436	444	626	1,082	1,526	892	1,263	1,056	1,263	1,169
Stock	—	937	1,435	901	1,513	1,198	1,366	1,362	1,134	1,052	893	775	792	472	329
Miscellaneous	3,038	5,512	3,760	1,767	2,784	4,572	5,427	5,037	7,777	6,275	4,721	4,875	4,621	3,402	3,700
Public Works	1,051	2,401	2,967	2,918	3,122	3,228	3,294	3,207	3,928	4,465	4,552	3,882	3,525	3,506	3,569
Do. Recurrent	1,317	3,485	3,914	3,092	3,517	3,285	3,133	4,335	7,133	6,800	5,554	4,975	4,669	4,756	5,119
Total Ordinary Expenditure	£ 15,248	32,385	37,160	32,554	37,555	37,066	36,971	39,058	55,329	46,000	39,240	38,978	38,712	37,156	37,519
Public Works Extraordinary	£ 806	7,420	14,573	10,314	5,211	20,934	11,128	12,756	13,574	13,041	30,739	33,700	16,086	15,179	16,944
Total Expenditure	£ 16,054	39,805	51,733	42,868	42,766	58,000	48,099	51,814	68,903	59,041	69,979	72,678	54,798	52,335	54,463

APPENDIX III.
DEPENDENCIES. REVENUE AND EXPENDITURE.
EXPORTS.

	Revenue.		Expenditure.		Exports £.
	Estimated	Actual.	Estimated.	Actual.	
	£	£	£	£	
1921	85,566	99,832	74,694	3,249	—
1922	85,475	142,102	6,405	10,950	—
1923	99,470	160,221	10,219	9,012	2,919,379
1924	143,320	130,179	8,480	27,711	2,318,536
1925	143,915	180,098	58,774	98,679	3,585,110
1926	141,900	221,596	57,435	130,527	4,160,743
1927	150,220	206,059	72,360	135,196	3,877,565
1928	160,955	194,153	81,285	122,103	3,763,149
1929	92,045	122,814	24,614	39,386	5,164,709
1930	102,975	84,586	24,197	21,598	2,726,173
1931	89,075	48,133	24,739	31,129	1,748,467
1932	36,695	17,446	19,898	20,144	369,542
1933	20,245	12,081	19,433	18,384	337,353
1934	21,570	—	17,980	—	—

APPENDIX IV.

PERSONAL EMOLUMENTS.

Department	Year	1907	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933
Pensions	£	356	1,032	1,331	1,261	1,307	1,195	1,242	1,391	1,388	1,702	1,597	2,469	1,906	1,887	1,895
The Governor	£	1,396	1,828	2,100	2,244	2,226	2,374	2,115	2,047	2,268	2,292	1,904	2,045	2,028	2,050	2,137
Colonial Secretary	£	830	1,782	1,755	1,814	1,800	2,114	2,138	2,182	2,345	2,304	2,374	2,662	2,226	2,225	2,231
Treasury and Customs	£	789	1,424	1,374	1,537	1,593	1,408	1,489	1,473	1,841	1,585	1,642	1,568	1,617	1,522	1,477
Audit	£	—	—	—	—	—	—	—	—	—	—	—	50	92	105	109
Post Office	£	419	644	773	1,205	1,651	1,727	560	506	427	529	545	477	401	310	341
Wireless	£	—	—	—	—	—	—	1,205	1,083	1,542	1,750	(952)	963	980	796	960
Electrical	£	—	—	—	—	—	—	648	834	835	838	(1,031)	1,024	1,217	1,211	1,085
Harbour	£	91	621	799	2,012	2,064	722	1,783	1,649	1,542	1,750	758	590	586	540	540
Patrol Boat	£	—	—	—	442	280	249	230	189	416	132	140	136	345	596	504
Legal	£	—	374	372	442	832	836	857	859	859	857	943	820	853	875	853
Police and Prisons	£	508	923	853	711	832	836	812	857	859	857	943	820	853	875	853
Medical	£	601	1,503	2,159	2,274	2,378	2,205	2,455	2,356	2,086	3,331	3,295	2,828	2,755	3,122	3,266
Education	£	374	1,086	1,071	1,463	1,447	1,451	1,423	1,826	1,725	1,829	2,151	2,122	2,245	2,297	2,206
Ecclesiastical	£	204	14	14	14	14	14	14	14	14	14	14	14	14	14	14
Scientific or Naturalist	£	—	137	942	876	570	474	465	207	—	50	50	28	50	50	38
Military	£	—	319	—	—	84	136	136	136	136	127	386	379	350	350	350
Stock	£	378	484	468	545	504	707	745	762	810	890	925	716	740	765	439
Public Works	£	972	2,392	2,220	2,832	2,779	2,948	3,078	3,135	3,023	3,519	3,645	3,708	3,301	2,895	2,917
Total	£	6,918	14,563	16,231	19,977	20,276	20,662	20,536	20,547	20,715	21,749	22,352	22,599	21,716	21,610	21,362

APPENDIX V.

STAFF.

	1907	1925	1930	1935		1907	1925	1930	1935
Colonial Secretary ...	1	1	1	1	Medical, Senior Officer	1	1	1	1
Assistant ditto ...			1		Medical Officer, North				
Chief Clerk ...	1	1	1	1	" " West				
Clerks ...	1	2	3	3	" " Falkland	1	1	1	
Printer ...	1	1	1	1	Dental Surgeon ...		1	1	1
Printer's Apprentice	1	1	1		Nurse Matron ...		1	1	1
Assistant Printer ...		1	1	2	Nursing Sister ...	1	1	1	1
Treasurer and Collector					Junior Nurses ...			2	2
of Customs ...	1	1	1	1	Nurse Probationer ...		2	2	2
Clerks ...	1	2	2	2	Dental Mechanic ...	1	1	1	1
Customs Officer ...	1	2	2	1	" Apprentice ...				1
Local Auditor ...				1	Servants, Hospital ...		2	2	
Postmaster ...	1	1	1	1	Clerk ...			1	1
Clerks ...	1	2	2	2	Education, Headmaster	1	1	1	1
Clerk at Fox Bay ...	1	1	1	1	Assistant Master ...		1	1	1
Wireless Operator ...			1	1	" Mistresses	2	2	2	2
Second Operators ...			1	2	" Teacher	1	4	4	1
Junior ...			2	1	Travelling Teachers	5	2	3	4
Operator at Fox Bay			1	1	Naturalist ...		1	1	1
Electrician, Chief ...				1	Military, Drill				
Assistant ...			1	1	Instructor ...		1	1	1
Clerk ...				1	Stock Inspector ...	1	1	1	1
Telegraph Operators ...			2	2	Public Works, Director	1	1	1	1
Linesman ...			2	1	Clerks ...			2	2
Lighting, Engineman			1	1	Storekeeper ...		1	1	1
Assistant			1	1	Foreman of Works	1	1	1	1
Harbour, Master ...		1	1		Foreman Carpenter	1	1	1	1
Tug Master			1	1	Carpenters ...	2	2	4	1
Deck hand ...		2	1	1	Driver Mechanic ...				1
Engineer ...		1	1	1	Caretaker, Town Hall		1	1	1
Police, Chief Constable	1	1	1	1	Water Bailiff ...				1
Gaol Matron ...	1	1	1	1	Carters ...	2	3	3	1
Constables ...	4	5	4	4	Lamplighter ...	1	1	1	
Legal, Magistrate ...		1			Blacksmith ...	1	1	1	
Registrar ...			1						
Clerk ...			1						
TOTALS ...	38	62	83	75					

NOTE.—The above Return is not guaranteed as being absolutely accurate, as apparently in some cases more than one function is performed by the same officer.

The Return is valuable for purposes of comparison at different periods.

APPENDIX VI.

ALLOWANCES.

YEAR, 1935.

Office.	Salary.	Personal.	Duty.	Unfurnished Quarters.	Furnished Quarters.	Peat.	Passages.	Sundry.
	£	£	£	£	£	£		
Governor ...	1,500		350					
Gardener ...	200				40	15		
Colonial Secretary	800	100			80	25		
Treasurer and Collector ...	600			50		25		
Customs Officer ...	200			40		15		
Chief Clerk ...	344						?	£50 as Registrar.
Postmaster ...	270	30						
Wireless Operator	300			40		20		
Chief Electrician	350			40		20		£24 for broadcasting.
Harbour Engineer	190			40		15		
Chief Constable ...	248			40		15		Uniform.
Constables (4) each ...	150			36		15	?	Uniforms.
Senior Medical Officer ...	800	200			80	25		
Medical Officer ...	791			50		20		
" " ...	626			50		20	?	
Dental Surgeon ...	779			50		20		
Nurse Matron ...	217							Board and Lodging.
Nursing Sister ...	175						?	Board and Lodging.
Head Schoolmaster	600			50		20		£100 as Auditor.
Drill Instructor ...	350			40		15		
Director of Public Works ...	700			50		20		
Second Clerk ...	200			40				

NOTES.—Senior Medical Officer receives £200 in lieu of private practice.

Quarters and Peat. The figures given are approximate.

Passages. No date on which to base an estimate of the value of passages to England and back when on leave.

APPENDIX VII.

FALKLAND ISLANDS.

Year	Total sheep depastured	Weight of Wool in lbs.	Value of Wool £	Total Value of sheep- farming products £	Total of Land Sales Fund £	Population.
1905	700,894	4,251,052	141,701	167,450	40,270	2,009
6	702,696	4,324,215	162,158	185,227	50,181	2,065
7	695,747	4,449,599	166,859	246,435	53,704	2,266
8	688,705	4,401,089	110,186	130,815	58,997	2,289
9	715,651	4,869,275	135,818	165,433	68,493	2,323
1910	724,736	4,828,109	161,666	174,243	75,323	2,356
1	706,170	4,643,781	150,134	177,571	85,315	2,272
2	711,367	4,650,771	134,680	157,529	97,530	
3	698,072	4,820,552	158,442	192,542	100,753	2,213
4	701,268	4,612,805	153,812	188,617	109,125	
5	690,754	4,670,255	188,541	219,206	117,582	
6	689,904	4,472,675	228,491	266,253	126,155	
7	696,975	4,711,271	239,727	295,983	134,753	2,241
8	699,368	4,809,539	294,310	335,341	142,450	2,252
9	669,996	4,867,200	283,884	394,983	152,002	2,255
1920	640,803	4,510,607	269,170	360,117	159,394	2,271
1	667,677	4,234,665	124,155	127,073	167,278	2,080
2	666,175	4,783,200	94,368	141,080	174,379	2,142
3	647,086	4,596,600	142,755	167,440	182,453	2,173
4	634,858	4,106,990	253,567	267,312	188,276	2,197
5	631,360	3,361,003	307,740	330,454	192,067	2,252
6	605,675	4,377,385	214,290	239,958	191,781	2,271
7	606,521	3,972,509	236,028	247,566	194,123	2,286
8	631,405	3,929,487	280,770	295,718	215,602	2,313
9	606,882	4,068,057	236,992	251,550	222,445	2,375
1930	608,914	3,690,572	190,943	206,842	229,172	2,396
1	615,767	3,931,593	125,818	136,619	235,730	2,392
2	614,976	3,934,852	109,475	115,989	266,227	2,428
3	607,921	4,021,444	100,749	111,424	271,916	2,427
4					241,129	2,437

*Colonial Secretary, Falkland Islands to Sheepowners' Association.
Port Stanley, 28th September, 1935.*

I am directed to acknowledge the receipt of your letter of the 6th of August, 1935, forwarding a Memorandum from the Falkland Islands Sheepowners' Association on the financial position and administration generally of the Colony.

2. In accordance with the request of the Association the Memorandum is being forwarded to the Secretary of State for the Colonies.

3. I have to state that His Excellency is unable to support the request of the Association that a Special Commissioner be appointed to proceed to the Colony and investigate the financial situation and other matters indicated in the Memorandum.

4. I am to add an expression of His Excellency's appreciation of the recognition by the Sheepowners' Association of the efforts of the local administration to promote the advancement of the sheepfarming industry.

I am, etc.

Sheepowners' Association to Colonial Secretary, Falkland Islands.

9th November, 1935.

I am requested by the Committee of the above Association to acknowledge with thanks the receipt of your letter of the 28th of September, and to express the regret of the Committee that His Excellency has not felt able to support the recommendations of the Association.

*Colonial Secretary, Falkland Islands to Sheepowners' Association.
Port Stanley, 24th February, 1936.*

With reference to my letter No. 257/35 of the 28th of September 1935, I am directed by the Governor to inform you that the Secretary of State has requested that the Association may be informed that after full consideration he accepts His Excellency's conclusion that an independent enquiry into the financial situation and other matters referred to in the memorandum from the Association is not called for.

2. I am to add that in his address to the Legislative Council on the 18th of November 1935, His Excellency notified his intention that the Treasurer, who had recently arrived in the Colony, should be charged during the course of the present year with the duty of making a close investigation into the expenditure side of the accounts, including the possibilities of reduction in staff with a view to making such economies as will enable the accounts to balance without dependence on extraneous sources of revenue in the measure that has been possible for the past ten years. I am to add further that the Secretary of State has been pleased to say that he entirely approves of the course of action and is awaiting the result of the investigation with interest and with full confidence in His Excellency's financial administration.

3. As regards the financial relations of the Colony and the Dependencies, I am to state that the Secretary of State has decided as follows, viz. :—

(a) that provision for the contribution of the Dependencies towards the cost of the central administration shall be as follows :—

Year 1936	...	...	...	...	£8,000
1937 and 1938	...	...	...	...	£7,000
1939 and 1940	...	...	...	...	£6,000
1941 and 1942	...	...	...	...	£5,000
1943	...	...	...	...	£4,000

The figure last mentioned is the minimum contemplated in the absence of any material change in the position.

(b) that the sum of £150,000 should be regarded as reserved in the Research and Development Fund as from the 1st of January 1936 as a provision for future expenditure on general purposes (other than the Discovery investigations) directly connected with the Dependencies; and

(c) that legislation should be introduced providing, *inter alia*, for the adjustment of past and future deficits in the Dependencies accounts.

4. The legislation to be enacted will enable deficiencies in the contribution from the Dependencies to the Central Government to be made good.

I am, etc.

Sheepowners' Association to Colonial Secretary, Falkland Islands.

7th April, 1936.

I beg to acknowledge with thanks the receipt of your letter of February 24th last.

The Committee of the Association desires me to ask His Excellency the Governor to convey to the Secretary of State its appreciation of his decisions as regards:—

(i) the contribution of the Dependencies towards the cost of central administration, and

(ii) the reservation of the sum of £150,000 in the Research and Development Fund as a provision for future expenditure on general purposes (other than the Discovery investigations) directly connected with the Dependencies.

GOVERNMENT NOTICE.

Colonial Secretary's Office,
Stanley, Falkland Islands,

20th March, 1936.

His Excellency the Governor directs the publication of the following despatch received from the Secretary of State in reply to a request that the balance of the Research Fund "after providing for the completion of the investigations" might be passed to the Colony, the estimated figure being £200,000.

By Command, (signed) Colonial Secretary.

Falkland Islands.

Downing Street,

No. 18.

29th January, 1936.

Sir,

I have the honour to refer to your despatch No. 143 of the 27th August, 1935, with regard to the financial relations of the Colony and its Dependencies.

2. You request that the whole of the balance of the Dependencies Research and Development Fund after completion of the "Discovery" investigations may be passed to the credit of the Colony; the Colony to assume the cost of all charges for the

administration of the Dependencies and to receive the revenue derived therefrom.

3. When in 1919 authority was given for increasing the export duties on whale and seal oil from 3½d. to 1s. 6d. a barrel, directions were also given by the then Secretary of State to the Governor that the extra revenue should be carried to a separate fund from which would be defrayed the cost of the researches recommended in the Report of the Interdepartmental Committee on research and development in the Dependencies of the Falkland Islands. The then Governor, Sir John Middleton, pressed strongly that the Colony and the Dependencies should be treated as a unit for financial purposes; but that contention has not been accepted by any of my predecessors. It was decided that a new statutory fund should be created under the title "The Dependencies' Research and Development Fund"; this Fund was created by Ordinance No. 6 of 1924 which laid down the purposes of the Fund, the payments to be made into it, and the manner in which payments out of the Fund should be made.

4. The disposal of the sum standing to the credit of the Fund is, therefore, governed by this Ordinance, which I am advised does not admit of the diversion of any part of the amount to purposes unconnected with the Dependencies. For this reason and without entering into other aspects of the matter it is not possible for me to agree to your suggestion that a portion of the Fund should be assigned to the Colony.

5. As no separate Reserve Fund has been maintained, the Research and Development Fund represents the sole financial reserves of the Dependencies. The Dependencies provide no employment other than the whaling and sealing industries and have no non-official population apart from the persons engaged in those industries; but whether or not any bases are maintained there for whaling or sealing operations, it will be necessary to make provision for the possibility of maintaining some form of British administration. This will necessarily entail recurrent expenditure on communications, etc., for which financial provision should be made without liability to the Colony or to the Imperial Exchequer. Consideration has therefore been given to the question of earmarking a portion of the Research and Development Fund as a general reserve for Dependencies' purposes. The Fund already possesses some of the characteristics of such a reserve, since it was credited in 1924 (on its inauguration) with the transfer of a substantial sum from the Dependencies General Account. Moreover the Fund, has with one exception, been credited in each year in which a surplus has been realised, with the entire surplus of the

revenue over expenditure and not merely the extra revenue obtained from the special increases in taxation imposed as from the year 1919 for the purpose of financing the researches recommended by the Interdepartmental Committee already referred to. The only exception is the year 1931 when a sum of £9,000 transferable to the Fund as part of the surplus realised in that year was held over to meet anticipated shortages of Dependencies revenue in subsequent years. (The question of this amount and of deficits realised in subsequent years is dealt with later in this despatch). After full consideration of all the circumstances I have come to the conclusion that a sum of £150,000 should be regarded as reserved in the Fund as from the 1st of January 1936, as a provision for future expenditure on general purposes (other than "Discovery" Investigations) directly connected with the Dependencies. I trust that this decision will relieve any local anxieties as to the possibility of the Dependencies becoming in the future a liability to the Colony.

6. Under the existing arrangements, the Dependencies have been properly charged with a share of the cost of the Central Administration. That contribution was fixed at the figure of £9,000 in 1924, and was maintained at that figure until 1934. In view of the fall in revenue due to the decline in whaling based on the Dependencies, it then became necessary to review the amount of the contribution which was reduced to £8,000 in 1935, and the question of the amount of the contribution to be made in future years now calls for decision. According to paragraph 11 of your despatch you regard £7,000 as the minimum required to make it possible for the Government of the Colony "to enable the surplus population to maintain a decent standard of living"; and in paragraph 22 of your despatch No. 166 of the 20th November 1935, submitting the Estimates for 1936, you express the hope that I may see my way to authorising a contribution of £6,000 a year pending settlement of the disposal of the Fund after full provision has been made for the "Discovery" investigations.

Strictly speaking, the contribution should be determined by the cost of the services rendered to the Dependencies by the Central Administration. But I see no reason to differ from the attitude adopted by my predecessors in regard to this matter, as a result of which the Colony, as you recognise, benefitted materially. Neither do I wish to inconvenience your administration or the people of the Colony by taking too rigid a view now, although regard must necessarily be paid to the altered financial position of the Dependencies. Taking all the circumstances into consideration, I consider that I am justified in agreeing to the contribution being maintained at £8,000 in 1936 (the amount included in the

draft estimates) subject to subsequent reductions of £1,000 biennially to a figure of £4,000, which is the minimum I contemplate in the absence of any material change in the position.

(Note.—This figure was suggested by the Governor subject to the essential condition that the Colony should be allowed to absorb surplus Dependencies revenue estimated at £2,000 a year).

Future estimates should therefore provide for the contribution on the following scale:—

1937 and 1938	...	...	...	£7,000
1939 and 1940	...	...	...	£6,000
1941 and 1942	...	...	...	£5,000
1943	...	...	...	£4,000

7. I now turn to the questions (already alluded to) arising out of the fact that, including the contribution, the Dependencies' accounts have shown deficits in recent years. At the time Ordinance No. 6 of 1924 was passed, there was no prospect of the revenue providing insufficient for all Dependencies' purposes and no provision was made in the Ordinance for dealing with deficits which can only be met from the Fund, since, as already pointed out, it represents the sole reserve resources of the Dependencies. The amounts in question are (a) the sum of £9,000 withheld from the surplus realised in 1931 which was utilised to make up a deficiency (£2,697 9s. 10d) in 1932, and a portion (£6,302 10s. 2d.) of the deficiency in 1933, and (b) the sums of £277 17s. 3d. and £1,987 12s. 4d. due to the colony in respect of the balance of the authorised contributions for the years 1933 and 1934 respectively, which have not been paid in full owing to the shortage of revenue in those years. In addition, a deficit of £1,500 in 1935 is foreshadowed in your despatch No. 147 of the 25th September 1935.

8. By a Resolution adopted on the 15th May 1934, the Legislative Council approved, subject to the sanction of the Secretary of State, the adjustment of the above-mentioned transactions in respect of the years 1931, 1932 and 1933; but I am advised that such a Resolution is *ultra vires* Ordinance No. 6 of 1924, and that the amendment of the Ordinance is necessary to enable past and future deficiencies to be paid from the Fund and to validate past payments out of the sum of £9,000 withheld from the Fund. I enclose a draft of an Ordinance which has been prepared by my Legal Advisers for this purpose, and I request that you will now take the necessary steps for its enactment unless you have any observations to offer on its terms, in which case I should wish to receive them by telegraph. I desire it to be understood that no action should be taken under Sections 2 or 3 of the new Ordinance without prior reference to the Secretary of State.

9. In paragraph 10 of your despatch, you expressed the intention, if your proposal in that paragraph received approval, to recommend that the export duty on whale and seal oil should be reduced from 1s. 6d. to 6d. a barrel as you see no justification for the higher rate. Although I have been unable to accept the proposal referred to I am prepared to consider some reduction in the rate of duty, if, in the light of the following remarks, you are still disposed to make such a recommendation. I am not satisfied, however, that with the improvement in prices the existing rate of export duty is unduly high. Also in my opinion the annual budget of the Dependencies should be prepared with a view to securing the closest possible balance between ordinary revenue and expenditure, including the contribution to the Colony, and I should feel compelled to regard critically any proposals for the remission of taxation or increased expenditure which could only be met by additional calls on the reserve in the Research and Development Fund. I should, moreover, be ready to consider a reduction in the duty if the financial position of the Dependencies should so improve that material surpluses of revenue are likely to be available; and in that case the existing statutory obligation to pay all surpluses to the Research and Development Fund may call for review.

10. The above decisions have been taken after the fullest consideration of the constitutional, legal and other aspects of the matter, and I hope that they will be accepted as an earnest that it is desired to deal fairly, not only with the Dependencies but with the Colony whose loyalty is unimpeachable and whose contentment, will, I trust, be fully restored by the passing away of causes due to the prolonged economic depression from which it has unfortunately suffered in common with the rest of the Colonial Empire.

I am, etc., (signed) J. H. Thomas.

Sir H. Henniker-Heaton to President, S.O. Association.

London, 24th June, 1937.

I have been much concerned regarding the question of the wages of farm labour in the Islands, and the owners of properties there will I trust take into further consideration the question of restoring the cut made in 1933 I believe, having regard to the

restoration in wool prices to normal and the present and prospective cost of living for the working man.

The Reform League—having been moribund for about a year—took the question up with the Government shortly before my departure. The question is obviously primarily one for the owners and the Government in replying to the representations of the League referred to the objections of fluctuating wages with probably fluctuating prices of wool, pointed out that wages had not been reduced until some years after depression in the industry had been felt—a number of farms being carried on at a loss—and suggested that the owners might consider increases when prices stabilised.

At the same time I would state that the Agricultural Adviser is of the firm opinion that the cut made in wages should be restored this year and that a serious situation may arise and develop if owners take no action or postpone action until the initiative lies with the workers. In this my observations and information support the views of Mr. Weir and the workers will have the sympathy if not the active support of the Government if they are allowed no share in the increased prosperity of the farming industry, I have indeed little hesitation in expressing the conviction that while and for so long as the price of wool stands at 1/- or over per lb. the wage rates standardised after the war should be restored if there is to be peace in the industry.

I am informed that some owners at least accept the principle that the workers should have a share in the renewed prosperity of the industry and have considered the grant of a bonus. I would regret any such decision as calculated to be unsettling in effect and to fail in bringing about content. Wage cuts form a constant grievance and frequent reports of their restoration in other industries all over the world have been received on the wireless throughout the country. There was last year some talk of application by farmers for the permission of the Government to import labour to meet the shortage on the farms. There were at the same time a number of camp workers in Stanley who refused to engage at the rates offered. For so long as wage cuts are in operation the Government will not feel justified in giving sanction to the importation of labour.

In the event of owners generally agreeing to restore the cut the question of the date from which this should be effected will arise. I trust that it may be made retrospective. A generous gesture on the part of the owners at this juncture is likely to be recognised in generous measure.

Chairman of S.O. Association to Sir H. Henniker-Heaton.

London, 23rd July, 1937.

A meeting of the Members of the above Association was held to consider and discuss Your Excellency's letter of June 24th, and I am desired by them to make the following reply.

2. The Members were glad to note that it is realised that the cut in wages was not made until some years after wool prices fell so disastrously; the Members feel assured that this has not been lost sight of or ignored by the farm labourers, from the fact that these camp hands have expressed themselves as satisfied with their treatment at the hands of the station owners.

3. Many owners appreciated this attitude of their men, and had already arranged to allow them to participate at once in the increased prosperity brought about by the rise in value of wool by giving them a bonus on wages earned since the 1st of January last, although it would be a not unreasonable proposition that this increase should be expended upon improvement of stock and arrears of renewals and repairs which have accumulated in the past 5 or 6 years.

4. The question of standardisation of wages is a difficult one, for it is not practicable to standardise unless and until wool values show more signs of stability. The wool market is so unstable that it is quite within the range of probability that prices may fall next year to the levels of 1934-1936. Look for instance at what happened in 1934 when the average prices at the March and May sales, 12·8 and 9·8 respectively fell in September to 6·6 pence. Future participation in prosperity might take the form of a sliding bonus based upon the average value of wool. The principle of a sliding scale is actually already in force in the form of benefits enjoyed by quite a third of the farm workers from existing Provident Funds. It is probable that this form of profit participation may be adopted by other stations in the future.

5. In the second paragraph of your letter Your Excellency says "the question is obviously primarily one for the owners". In view of this, they have read with surprise and regret the implied threat of coercion in the third and fifth paragraphs of your letter. They feel that they have not at any time acted in such a way as to warrant such an attitude on the part of the Government. That the Members have constantly before them the welfare of their men is evidenced by the decision of most station owners to give a bonus on the whole of the 1937 wages, which is to all intents and purposes a retrospective restoration of the 1933 cut in wages.

6. At the request of the Members a copy of a Resolution passed at the meeting is subjoined hereto.

RESOLUTION.

That the Members of the Falkland Islands Sheepowners' Association assembled having considered the letter from His Excellency Sir H. Henniker-Heaton to their President, dated 24th June 1937, are of opinion that as in no completed year since 1929 has the wool averaged 1/- per lb. net, it is premature to come to any decision with regard to raising the standard of wages on the Farm but they are quite prepared to reconsider the matter when that point is reached. Most of the stations represented at the meeting had already decided to allow their men to participate in the increased prosperity of the industry, but had decided that for the present this should take the form of a bonus. They further consider that the Reform League is not authorised by, or qualified to speak for, the farm workers. Its membership is believed to be only about 140 and not representative of any section of genuine Island labour.