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UNITED NATIONS PALESTINE COMMISSION

Memorandum, dated 27 March 1948, from the Advance Party concerning Problems of Internal Distribution of Food.

The following memorandum by Mr. Ghosh was received in Advance Party Air Pouch 4 and 5 on 12 April 1948.

27 March 1948

PALESTINE COMMISSION ADVANCE PARTY

PROBLEMS OF INTERNAL DISTRIBUTION OF FOOD

(Based on discussion with Mr. French of Steel Bros.)

(Memorandum by D. Ghosh)

In view of the fact that the Commission is carrying on negotiations with the Ministry of Food, in respect of imports of food from outside, my discussion with Mr. French was confined almost wholly to problems of internal distribution which had either already risen or were likely to assume a serious form on the termination of the Mandate.

Messrs. Steel Bros. Ltd., operate in Palestine in a triple capacity. In the first place, in respect of food purchased by the Palestine Government through the Ministry of Food, the responsibility of the Company begins at the moment the food arrives at a Palestinian port; it then undertakes to clear, store, transport and distribute the imported food to wholesalers against permits issued by the Food Controller; payment for the import is made to the Ministry of Food directly by the Government of Palestine. Secondly, it has undertaken on occasions to import certain foodstuffs, e.g., butter and cheese, on behalf of the Palestine administration. It arranged for letters of credit and payment to the exporter, its dues from the Government being recovered from the Government trading account which the Company was authorised to operate. I was told that the Company tried to operate with the minimum funds required to discharge its responsibilities; any excess, even for a short period, was handed back to the Government. Thirdly, the Company has been acting on its own as an importer, like any other importer, importing stuff against import licences obtained from the Government.

Imports are received mostly at Haifa port and then distributed among the four towns of Haifa, Tel Aviv, Jaffa and Jerusalem, according to estimated requirements of the areas for which these cities serve as centres of distribution. Transportation between Haifa and the other towns is mainly by means of motor lorries by contracting firms who work for Messrs. Steel Bros. Very little use has been made of the railways for this purpose in recent months.

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The further distribution of food from the centres noted above is the function of wholesale merchants who arrange to obtain their sanctioned amounts from the stores of Steel Bros. on production of permits from the Food Controller and against payment on delivery. These merchants then arrange for the transport of their purchases to their respective places of business. At the final stage retailers purchase their quotas from the wholesalers to whom they are linked against permits issued by the Food Controlling Department. The administrative check or supervision ceases at this stage, the supply of the ultimate consumers' needs being left to the good faith and business sense of the retailers. The procedure is slightly different in the case of bread grains, the mills coming in as intermediaries between Messrs. Steel Bros. and wholesalers.

This organization has worked with a fair degree of efficiency until recently. But the strain upon it is increasing and it may, unless law and order is maintained effectively over the country, break down at vital points. These vital points are connected with:

- (a) storage
- (b) transportation
- and (c) distribution

The stock of Messrs. Steel Bros. is kept at a number of major and minor stores in the four towns already mentioned. These stores are, I was told, substantial structures and well guarded. But they are not safe against mass raids which may start once the semblance of law and order in the country disappears.

The stocks of wholesalers and of retailers are kept in ordinary stores which are unprotected and scattered over the country and can be looted and destroyed easily. Up to now however, very fortunately little damage has been done to food stocks in the country.

The difficulties of transportation seem to be increasing every day. First, supplies to the two communities have to be arranged with the help of separate expensive convoys, and as far as possible, different routes have to be chosen for their transfer. At present supplies to Jerusalem from Haifa for the Arab and Jewish sections of the population are sent by two different routes and to two different sets of stores. One of the important reasons for the rise in food prices in recent months has been the rising cost of transport. I was told that insurance

charges in connection with the transport of food from Haifa to Jerusalem has risen from less than one per cent to ten per cent since last December. The dangers and difficulties of transport from the chief towns to other centres of trade are greater still.

Finally, turning to final distribution to consumers, the system at present in operation is hardly satisfactory, though it is probably as good as an administration which is in the process of being wound up can manage to operate. The Government, however, through its central and district food organisation still exercises a sort of general check on the activities of wholesalers and retailers. The disappearance of the district organisation would soon make such supervision impossible while the prospective gains from hoarding and black marketing will increase with the increase of uncertainty in the country.

The problems of internal distribution which I have stated are inextricably mixed up with those of general administration, in particular of law and order in the country, and cannot be solved in isolation. I am, however, making certain tentative suggestions which may enable the future administration to tackle them with some measure of success.

In the first place the Commission should not only use the services of Messrs. Steel Bros., as the Palestine Administration has been doing, but also explore the possibility of extending the field of co-operation with them in particular in respect of internal distribution. I have in mind, in particular, the question of handing over to Messrs. Steel Bros., some of the responsibilities of the existing Food Control Department in respect of the Arab areas. The Commission would then have only to check the statements of the company once in a while to assure itself that the system of distribution is functioning justly and efficiently. Steel Bros., seem to have a large staff which they have been increasing recently and may find it possible to do this extra work for a suitable remuneration.

Secondly, the risks of storage in this country for some time to come may be reduced considerably by arranging to hold the major portion of the stock in Cyprus. I am told that this is possible; small schooners of 400 to 500 tons can transport supplies from Cyprus to Haifa in 12 hours, and though this arrangement will add somewhat to the cost of handling, it may bring about a good saving in insurance

charges. The representative of Steel Bros. has promised to examine this suggestion thoroughly and send me a note at an early date which will be forwarded to the Commission.

Thirdly, the problems of internal distribution and storage are immense and almost defy solution in the absence of effective maintenance of law and order in the country. The present administration is handing over some of the responsibilities to local bodies, municipal and local councils. But most municipal organisations in the country are undeveloped and a good number of them have been replaced by Commissions created by the Central administration. It is doubtful if these bodies are truly capable of shouldering the new responsibilities that are being transferred to them. Only the co-operation of the two communities organised on a wider basis can help reduce the difficulties. In any case, even if local authorities successfully manage the distribution of food after it has reached them, the responsibility of distribution to the local bodies will remain with the central administration. With an increase of the risks to which convoys are subject, private enterprise may disappear from the field of transport. I was told by the representative of Steel Bros. that only a fleet of 100 to 150 lorries properly guarded and convoyed can keep up supplies to the important distribution centres.

SUPPLEMENTARY INFORMATION

The following communiques appeared in the Palestine Post of 24 March and 25 March, 1948, in the order given below:-

" Food for 2 Months After Mandate

To ensure the continuity of food imports for at least two months after the end of the Mandate of 15 May, the Food Controller will issue import licences in consultation with Arab and Jewish Chambers of Commerce and other bodies. The import of cereals, sugar, fats, oils and frozen and canned meat will be through regular commercial channels, and will be based on current consumption.

" Arrangements have been made to import supplies up to 15 May."

" 20,000 Tons of Food

Within the next two months the Jewish community of Palestine is to receive 20,000 tons of food staples. This was revealed yesterday by the Food Controller, Mr. G.P. Carter, to two representatives of the Jerusalem Jewish Chamber of Commerce, Mr. Menashe Eliasbar and Mr. M. Getstein.

" The supplies, which will cost about I.P.1,000,000, will include 12,000 tons of flour, as well as quantities of frozen meat, rice, sugar and edible oils. Negotiations are under way for Steel Bros. Ltd., to act as agents.

" It is not known what arrangements have been made for the Arab community."