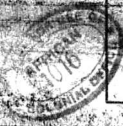


EAST AFR. PROT

23125

23125

REC^d
REG^d 26 JUN 14



Lloyd, G.
M.P.

NAKURU - N. KAVIRONDO RAILWAY

1914

25 June

Last previous Paper.

States further information desired by Messrs Halbert, Wagg and Russell in connection with the proposed loan.

400

22645

Mr. Lloyd Sir G. Fiddes

When Mr Lloyd called about this today he told me subsequently that Messrs H.W.R. had raised the further point as to Timber security. They had searched for any means against making a Protection loan a T.S. but without success & they ^{had} supposed he said it was impossible because it had never been done.

Yes. He said of kind there on the point H.W.R.

Pl. re Treas/49720/92 as other. The Subject Index contains no later entry on the point & I presume it still holds. The Treasury then were of opinion that they had not received the authority of Parliament. E. then end, & we dropped the matter.

Last subsequent Paper.

39

Mr Lloyd said that the difference was

would mean a difference in price of
 4 or 5 pounds (say, "certainly, perhaps,
 46 & 51, respectively). This was a fresh idea
 to me as I thought ~~and~~ ~~was~~ ~~not~~ ~~at~~ ~~all~~ ~~connected~~
 direct with the public who had the money
 and - ~~what~~ ~~was~~ ~~the~~ ~~rate~~ ~~per~~ ~~cent~~ ~~would~~
 be agreed upon - ~~was~~ ~~to~~ ~~get~~ ~~the~~ ~~money~~ ~~we~~
 asked for ~~cent~~ ~~per~~ ~~cent~~. Mr Lloyd said
 that that had been the original intention but
 that the extra amount asked for had
 made a difference and a more extended
 subscription would be necessary.

So long as we know what we are going
 to get the difference of procedure is, perhaps,
 not so important ~~as~~ ~~the~~ ~~amount~~ ~~to~~
~~be~~ ~~paid~~ ~~for~~ ~~the~~ ~~loan~~ ~~and~~ ~~if~~ ~~we~~
~~are~~ ~~going~~ ~~to~~ ~~do~~ ~~that~~ ~~we~~ ~~ought~~ ~~to~~ ~~be~~ ~~able~~
~~to~~ ~~offer~~ ~~the~~ ~~loan~~ ~~to~~ ~~the~~ ~~public~~ ~~in~~
~~the~~ ~~ordinary~~ ~~way~~ ~~in~~ ~~the~~ ~~hope~~ ~~of~~ ~~obtain~~ ~~ing~~ ~~it~~
~~at~~ ~~a~~ ~~rather~~ ~~better~~ ~~price~~.

A 4% loan at 91 ^{yielding} 4.47% or ^{at} 90 ^{yielding} 4.81% ^{or} 90 ^{yielding} 4.3813%
 realized about ~~the~~ ~~same~~ ~~as~~ ~~the~~ ~~loan~~ ~~&~~ ~~the~~ ~~figures~~
 in the Governor's memo. is 22645 would

require revision. For a 30 year loan
 the quantity would be ^{about} 6,355% ~~perhaps~~ 164%
 and for 40 years ^{about} 5,552% ~~or~~ 10%

Of the £1,000,000 which we should require
 as against the Governor's 5% the
 difference does not however I think
 vitally affect the question whether
 the Public can afford the new Railway:
 it ~~has~~ ~~been~~ ~~that~~ ~~even~~ ~~if~~ ~~the~~ ~~profit~~
 is ~~to~~ ~~be~~ ~~obtained~~ ~~in~~ ~~the~~ ~~ordinary~~ ~~way~~ ~~(£3000000)~~

4.3813%
 These figures
 at this point of
 view the S.F.
 becomes to
 accumulate
 only at 4%
 to be the
 possible
 100%

There would be a deficit of about
£3500 a year during the 30 years, ^{or}
net profit of about £6500 during
the 40 years loan.

Coming to the specific questions in the
letter -

1. a) Yes.
b) They can not be what they were
in the City. Officially, it will be
the "E.A." ^{4 1/2%} Railway Loan 1914
under a Railway (Loan) Ordⁿ 1914.
2. ? The new Parliamentary loan will be
secured on the general revenues of the
District with the usual railway charges
not existing at the time of the loan.
Or a which has to be secured. The
same formula would be used of the
Railway loan, which would therefore
have to rank after the £250,000, the
£375,000 & the £1,855,000 loans.
3. Yes, when we have completed the
general terms which they can propose
to offer.
4. [See later].
5. ? a long term loan (40 years or there-
abouts) with the option of
repayment
under the terms of 1914. I don't know whether we

? 5. or 5/4
G.M.

Should you wish by a 5 year loan
The idea is that it would attract people
who are unwilling to risk their money
in ordinary investments now but hope
that the position will be brighter five
years hence. Similarly the idea would
be attractive to us if we could hope
to raise the money on better terms five
years hence. I don't know what
qualification there is for such preference
except on the usual ground that things
might get better because they can't
get worse - ~~but~~ - ~~as to~~
~~the~~ ~~idea~~ ~~of~~ ~~raising~~ ~~money~~ ~~on~~ ~~these~~ ~~terms~~
before & this liability largely on
our heads, might be a serious
drawback.

This is a point however on which
we might promise further ~~consideration~~ -
& consult CA?

6. A subsidy fund? [We might
offer it for three years, but this
could only be done on the charge
afterwards.]

4. I think it that the loan would be ~~arranged~~
with the CA - i.e. that they would manage the
issue and keep the stock registers, as regards
transfer free of stamp duty the ~~provisions~~

set out in the draft deed on Gov/27746/96
Hoyd's - a committed proposal in ~~the~~
with ~~the~~ ~~view~~ ~~of~~ ~~raising~~ ~~money~~ ~~on~~ ~~these~~ ~~terms~~
otherwise to pay the ~~interest~~ ~~on~~ ~~the~~ ~~loan~~ ~~for~~ ~~the~~ ~~term~~ ~~of~~ ~~the~~ ~~loan~~
This can be applied to Protectorate, the
1902 General Profers again help us - § 5 of
the Finance Act of 1898 gave the Treasury power
to extend the then existing Colonial Stock Acts [the
power of Compounding for Stamp Duty was given
under the C.S.A. of 1877] to Protectorate & Protected
States (It was because this special legislation
was considered necessary in 1898 that the Treasury
in 1902 held that similar legislation would be
required before the provinces - trustee security
of the C.S.A. of 1900 could be extended to
Protectorate.)

435

for 2000
to Gov. Loan
Director -
A/2000/44 C.C.

It is ~~not~~ ~~clear~~ ~~that~~ ~~the~~ ~~offer~~ ~~to~~ ~~the~~ ~~loan~~
to the ~~loan~~ ~~to~~ ~~the~~ ~~loan~~ ~~to~~ ~~the~~ ~~loan~~ ~~to~~ ~~the~~ ~~loan~~
from duty on ~~the~~ ~~loan~~ ~~to~~ ~~the~~ ~~loan~~ ~~to~~ ~~the~~ ~~loan~~
great attraction, but it would not ~~be~~ ~~an~~ ~~offer~~
and amounts to a ~~subsidy~~ ~~of~~ ~~the~~ ~~proportion~~
Stamping fund. (see 6). I had better say
that we would arrange them for transfer free of duty.

It is ~~not~~ ~~clear~~ ~~that~~ ~~the~~ ~~offer~~ ~~to~~ ~~the~~ ~~loan~~
explaining as to "Trustee Security", and about
same time ask ~~the~~ ~~Commissioner~~ ~~what~~ ~~the~~ ~~loan~~
would be likely to do for us in the open market,
explaining generally what ~~we~~ ~~understand~~
the terms of this private offer are likely to
amount to - and with particularity for their views
on the point of a five year loan.

[The Lloyd was compelled to explain that the terms
which these people would offer - ~~like~~ ~~his~~ ~~own~~ ~~offer~~ -

should give much by 5 year loan
Idea is that it would attract people
who are unwilling to risk their money
in ordinary investments, now but hope
that the position will be brighter five
years hence. Similarly the idea would
be attractive to us if we could hope
to raise the money on better terms five
years hence. I don't know what
qualification there is for such optimism
except on the usual ground that things
might get better because ~~they~~
get worse, but as a way of raising the
money, a 5 year loan is
before & the liability hangs over our
heads, might be a serious
drawback.

This is a point however on which
we might promise further ~~consideration~~
& consult CA?

A subject of "fixed" [we might
refer it for three years, but this
would only be to examine the change
afterwards]

I hope that the loan would be brought
with the CA - i.e. that they would manage to
come and keep the stock register, by regular
transfers from J. [unclear] duty the procedure

at out in the draft book on Jan/27/46/56
Ray Hoag - a committed proposal made
to the Treasury as a result of being ~~bid over~~
otherwise to pay off a transfer. As a matter
this can be applied to Puerto Rico, the
1902 General Provisions again help in § 5 of
The Finance Act of 1898 gave the Treasury power
to issue the Treasury Colonial Stock Certificates [the
power of Compounding for Stock only was given
under the C.S.A. of 1878] to Puerto Rico & the United
States. (It was assumed this should be legislation
was considered necessary in 1898 that the Treasury
in 1902 held that similar legislation would be
required before the provinces - trustee security
- of the C.S.A. of 1900 could be extended to
Puerto Rico.)

provision for
to CA
directors
A/2012/14 G.C.
The duty on the transfer of property
great attraction but it costs a lot of money
and amounts to the disability of passing
existing funds (see 6). We had better say
that we would arrange them for longer period
of 10 years, provided to be held as indicated,
explaining to trustee security, and at the
same time ask CA to consider what they
would be likely to do for us in the open market,
explaining generally what they are uncertain
the terms of the private offer are likely to
be, and with particularity of their views
on the point of a five year loan

[Mr Hoag can complete explain that the terms
which these banks would offer ^{like} to be an register

concurrently with the Board
we might like the motto only, and
if there is any element of assembly
reading the Board Bill we might want
as this the the side is toward the

Commons
See also 22645 / PM 2.7.14

Page
U. 2.7.14
E 3.7.14

Page
K 4.7.14

I shall get the 3rd R of the Board
Bill as soon as the 1st R is
suspended which will be
done
K 4.7.14

23125

23125

18, Wilton Crescent,
S. W.

REC'D
JUN 26 1914

437
8

June 25th, 1914.



Dear Sir George Fiddes,

Messrs Helbert, Wagg & Russell, South Msea House, Threadneedle Street, E.C., whom I mentioned to you in connection with the finance of the Kavirondo Railway, are anxious to have some points cleared up with regard to this matter, so that they may be able to fall in with your wishes and give you some indication as to the kind of terms which they would be prepared to quote. They have written me a letter asking certain questions, the substance of which I have embodied here below. I should be obliged if you could see your way to giving me the answers to these questions in writing as soon as you are able to do so.

1. Will the loan be a direct obligation of the East African Government: and if so is there any objection to its being cited as a British East Africa 4% (?) Railway Loan?
2. Would this loan rank *pari passu* with existing Treasury Loans, if any, and with the forthcoming Parliamentary Loan? In the opinion of the financiers concerned it is important that it should so rank if possible.
3. Would the Colonial Office be willing to allow Messrs Wagg to see any Memorandum on the financial position in East Africa that may have been sent recently by the Governor?
4. May it be assumed that the loan will be domiciled with the Crown Agents in the usual manner, and also that the stock will be transferable in the same way as other loans issued under their auspices, without charge and free of Stamp Duty?

5.

5. Would 30 or 40 years, or a shorter period, be most agreeable to the Government for date of redemption. If the former, the Government could still reserve to themselves the right to repay at an earlier date, say in 1934?

(Note)

If a security for a shorter term, say for five years, were acceptable, it is a form which at present enjoys considerable popularity. If for example a 4% Loan were decided on, repayable at the end of five years, it would, it is thought, find a ready market. If in addition the Government could see their way to give an option so that when the Bonds fall due holders could convert their holdings into an amount to be fixed of 2% stock of the British East Africa Government, it would add to its popularity.

6. Would the Government be anxious to establish a Sinking Fund, or merely give an undertaking for the complete extinction of the Loan at a given date?

Yours very truly,

George Lloyd

L. of ...

2 copies

4792-22

DRAFT.

George Lloyd, Esq., M.P.

8 July 1891.

MINUTE.

Dear Mr. Lloyd.

- Mr. Acland
- Mr. Biddell
- Mr. H. J. ...
- Mr. J. ...
- Lord Emmott
- Mr. Harcourt

I have received your letter of the 25th of June, in relation to the proposed Kew Gardens Railway, & I can not give you the answers to some of the points which you have put to me.

Wm. G. Biddell's
Signature.

I understand that Mr. G. Biddell will write C.A. verbally the general points in

(1) The train will be a direct obligation of the E.A. & G. ...

... (f) Acland ...

It will be known finally
as the E.P. & F. Railway
Loan 1914

(2) The Railway Loan
will be secured on the
general revenues of the M.
with priority over any
charges not existing
at the time of the local
Act which will have to
be passed to legalize
it. It will therefore

rank after existing
Treasury loans, including
the new Parliamentary
loan for £1,555,000.

(3) There will be no objection
to Messrs. Helbert
Wagg & Russell being
my agent memorandum
by

x x The Lloyd George
brought this letter to me
yesterday for discussion
with a view to giving the
a name. The following
effect. Or can I
think that this is wrong
has fallen ~~and~~ ~~been~~
para from

by the Gov. in the programme
position in the East,
when the Dept. was
had in a preliminary
of considering the
general terms which
they are prepared to
offer.

(4) I believe that
the answer to this
query is in the office.
The true situation
I can give you a
definite reply
the C.A. further Col.
will have to be
consulted.

(5) I am again replying
giving you a final
reply it will be
desirable to consult
the

The C. A.

So wd certainly be desirable
(6) ~~The Govt wd wish to~~

establish a sinking fund,

although the question of

deferring payments to a
sinking fund ~~might be~~ ^{for a period}

If, ~~supposed~~ say, three
years might have to be
considered

I took the opportunity
recently to mention to you
that the position as regards
the putting up of the money
for this railway seems to be
changing. It appears that
Messrs. Kelbut, Wagg & Russell
are gradually assuming the
position merely of underwriters
of the loan, & you will understand
that ~~it~~ in these circumstances
must ascertain whether or not
the C. A. for the C. A. can secure
lower terms than these gentlemen.

To Under
stand
An S. 7. 20

This will receive careful
consideration, & I hope to be able to write to
you again on the subject soon.

(next page)

