



EAST AFR PROT
31110

C
31110
8/11/14

Director
Field 674

1914

in July

as per Lager.

26928

MICA LEASES
MESSRS MOYNAGH AND PAQUALIN

States what he is prepared to do regarding lease. As to royalty cannot agree payment of 1d per pound is an equitable arrangement and submits proposals for charging 9 per cent on gross profits. Requests telegraphic reply.

Mr. Read.

Prints
have
attached
copy

The Gov's disp. of 28 May (22600) is under the point, and for the moment it is hardly necessary to recover it or hold this up. The main point is that Mr Paqualin has just answered our letter on that subject & it is probable that, as I have indicated, he has gone back to E. Africa.

The present position is, apparently, that all the draft leases have been cancelled (4/10/14) but that the Gov. is prepared to issue fresh ones under the new Ord. (22633) subject to special conditions as regards royalty (this paper)

On this last point I confess I do not follow Mr. Paqualin. The Gov. strongly recommends royalty on "actual sales" but in the same breath concedes that it would be simpler to charge 9% on "gross profits" than 10% on "net profits". We have pointed out the

Copy 11
Gov. disp. 27 Aug 14

Subsequent Papers

26982

net profits less a royalty from profits
less depreciation, but the contract would appear
to indicate that the Gov. means "gross
receipts". But if he thinks that 90%
on gross receipts is at all equivalent to
10% on net profits (which implies that
90% of your turnover is net profit)
I think he is wrong.

It seems to me quite clear that the
Soviet system (1935), of a reversible title
of value, based on maximum rectangular
area irrespective of quality, with a royalty
held thereon, is the best working arrangement.
The royalty is indefinite, & it doesn't matter
whether it is collected at the port's mouth, as
in India, or at point of shipment, as would
suit us better.

As regards the value of the actual
output - the Gov. said in para 5 of 22633
that he had got very different figures
from another bank of the 20th. Then
he quotes an invoice for "East African
India" - presumably not these people's
mine, but if not is it good evidence?

I am inclined to reply that

- (1) We will await his observations on the Soviet
system - one dep. of 17 Sept. is 25928, but
that a royalty of 9% on actual sales,
without allowance for transport, seems
excessive.
- (2) We should like info - including details on
to royalty - about the other mine mentioned

(3) We understand that these people's rights have been cancelled (1898) & presume that any further fresh leases must be based on a fresh bargain, including area, based on the 1912 Ord^{ce} or such other legislation as may be substituted for it. And say that we have had no reply from the proponent to the letter sent to him on the 2nd of June & the 4th of July

W.C.S.
20/8/14

J. H. Wain

to me

& J. R.

21/8/14

to read

The Gov: asked for a letter. It is impossible to put the whole thing into a message which would cost less than the prospective mica royalty and, I think, unnecessary. As the proponent had took no steps for 7 or 8 months he can't complain about 3 weeks.

I submit that let

W.C.S.
26.8.14

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22653

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GOVERNMENT HOUSE,
NAIROBI,
BRITISH EAST AFRICA.

EAST AFRICA PROTECTORATE.

No. 674.

July 14th, 1914.



Sir,

ll
16227

I have the honour to acknowledge the receipt of your despatch No. 449 of the 11th of May on the subject of the mineral leases to be granted to Messrs. Moynagh and Paqualin for the purpose of mining for mica in the East Africa Protectorate.

Go
16227

2. The correspondence enclosed therein appears to me to indicate that Mr. Moynagh is attempting to secure for himself the advantages offered both by the Mining Ordinance 1902 and that of 1912. I have already stated in my despatch No. 529 of the 28th of May that I offer no objection to the surrender by him of the unexecuted lease under the Ordinance of 1902 and the issue of a lease under that of 1912, but that, if he so elects, the area of the lease will

THE RIGHT HONOURABLE
LEWIS HARCOURT, P.C., M.P.,
SECRETARY OF STATE FOR THE COLONIES
DOWNING STREET, LONDON, S.W.

* No 16222
+ No 22633

will be reduced to that prescribed by the latter law. On the other hand, if he prefers to continue under the Ordinance of 1902, the rent of Rs.5/- per acre cannot be reduced.

3. With regard to the royalty, I regret that I am unable to agree that payment at the rate of 1^d per pound is an equitable arrangement, as such information as is available here points to the fact that Mr. Scynagh's valuation of the project has been grossly underestimated. I have before me an invoice of East African mica, dated April last, which shows that the 55m realized by the sale of 376 pounds of the mineral was £253-5-6 or an average of 5^s/9^d per pound, detailed prices for different parcels per pound varying from 3^d to 12/6d.

4. I agree with the observation in paragraph 2 of your despatch that the calculation of royalty upon output is simpler than that based on profits, and is probably more satisfactory to both parties, as any delay in settlement is thereby obviated, but in such a case as that under consideration, where the market value of different grades varies so substantially, it is impracticable at present to acquire the information necessary to enable the authorities

in this Protectorate to assess values for the purpose of fixing the charge.

5. While however I do not think it practicable to assess royalty without knowledge of the market value of each parcel, I suggest that it may be possible to obviate the friction and disputes incidental to the calculation of expenses and charges by fixing the royalty not on profits but on the actual price realised, without deduction in respect of expenses, the additional charge on the seller being met by a slight reduction in the amount of the royalty. For instance, I conceive that it would be simpler to charge 3 per cent on the gross profits than 10 per cent on the nett profits.

6. If this principle commends itself to you, I agree that it will be desirable to amend the Ordinance as suggested in paragraph 3 of your despatch under reply, but I recommend that such action should be deferred until a more extended knowledge of values has placed us in a better position to prescribe what the charges shall be.

7. It has been pointed out with some force that the assessment of royalty on sale prices would work unevenly, as the cost of transport

transport from mines which are distant from the Railway would be much in excess of that incurred by the owners of those more favourably situated. It is not however apparent how it is possible to equalize such differentiation of expense except by retaining the principle of imposing royalty upon nett profits, and it is possible that you may consider that such inequality of result justifies the retention of the principle which is provided by the Ordinance of 1912.

8. As information has just been received that Mr. Moynagh is returning to the Protectorate immediately I should be obliged if your views could be communicated to me by cable.

etc
I have the honour to be,

Sir,

Your humble, obedient servant,

H. Conway Beyced.

GOVERNOR.

Low SAP
31110



DRAFT

to Tel 4

Low
Kairubi

Sent 100 pm 27.8.14
7.11.14

27
27. August '14
Arabism

Your draft of 14 pg
via indirectly

674 see my draft of

7 August & 26 August @
indirectly indirectly via
Letter from Boyceugh since

681, 26.8.14

to Red 26

(18622)

5 May
maritime

Handwritten scribbles and a large flourish.

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D
24/10/14

18/10
24/10

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(No 803)
- 48882
Ans'd 48882

26 August/14

DRAFT.

E. A. P. no. 803

Yours
Belfield
MINUTE.
Mr. B. M. M. 24/8/14
Mr. Reed 24
Sir G. Piddan
Sir H. Jessel
Sir J. Anderson
Lord Emmott
Mr. Harcourt
for course

* No 31110

Sir,
I have the hon. to ack.
the rec. of your despatch
no. 674 of the 15th of July
on the subject of the area
proposed
lease to be granted for
the purposes of
and Pigeon.
2. I understand from
Mr. Hobley that notice
was given on the 15th of
June to these three
Gentlemen and Mr. T. G. T. G.
that all their proprietary
areas are declared to be
abandoned. I presume,
therefore, that if matters
proceed further fresh
draft leases will have
to be prepared, based on
the legislation in force at

the same kind as to say,
The Working Order 1912 or
any amended Ordinance
which may be enacted. I
may observe that no
reply has been received
to the letter which I
caused to be addressed
to the Hon. Secy on the
2nd of June & the 4th
of July & 27th of October,
and in reply to my
despatch of the 7th of
August & the 10th of July
respectively.

On the question of
royalty I desire to
assist you in
the system in force in
Madras, particularly of
which was proposed
in despatch of the 7th
of August. I may observe
however, that I do not
clearly understand the

x Nos 19401
22633

+ LFF

probable that a royalty
of 9 per cent on the
gross profits should be
585
adopted. It, as would
appear from the context,
the term "gross profits"
is used as being equivalent
to the actual price realised
without deduction in
respect of expenses, & a
royalty of 9 per cent on
this basis would appear
to be very greatly in excess
of a royalty of 8 per
cent on net profits, which
cannot be expected to amount
to so much as 9 per cent
of the turnover.

U.S. It is possible that
in suggesting the 9 per cent
I state you had in mind
its approximate
equivalent to the rate of
royalty ~~proposed~~ which at
my instance was
inserted in the draft
leaves, namely, 10 per
cent based on selling price