

1934

Kenya

No. 23201.

(Part 3.)

SUBJECT

CO 533/449

Manufacture of pulp from Bamboo & Sisal

(Reports attached in separate covers)

Previous

Subsequent

38030/05

FILE C.

U.S. GOVERNMENT PRINTING OFFICE: 1934

PUBLIC RECORD OFFICE

END

TOTAL EXPOSURES →

See file.

On 5.11
The Kenyan
Sir J. M. ...
Sir E. ... 9.11
Sir J. ... 9.11

On Wednesday last the C.D.C.
gave their general blessing and support
to the Kenya Bamboo Pulp Factory
scheme, and, subject to the satisfactory
solution of certain details (entrusted to
a Sub-Committee composed of Sir B.
Blackett & Mr. Rae Smith), recommended
a loan of £1,400,000 from the C.D. Fund to
operate the factory.

The Sub-Committee met this
morning, and during their discussion
it became apparent that, in order
to secure the rights of the Kenyan
Government and the Treasury, very
careful accounting methods would have
to be adopted.

Mr. Rae Smith then suggested
to Sir B. Blackett (in my hearing)
that it would be desirable to stipulate
as a condition of Govt. assistance

There is a ...
... ..
...

9/11/55

not written hearing

that Govt should nominate the company's
Auditors. During the evening conversation
it was clear that both Mr. Roe Smith
and Sir B. Blachett had in mind
the nomination of Deloitte, Plender (in
which Mr. Roe Smith ~~was~~ is a partner).

I hinted to Mr. Roe Smith that
there might be difficulties in the way,
& promised to take opinion in the Co.

In the merits of the case, there is
every reason for supporting the suggestion
that the Company's auditors should
be nominated by Govt. It can
hardly be questioned, however, that
Deloitte, Plender would be a suitable
firm; they are of the highest possible
standing in London, & have branch
offices in the Union and N. Rhodesia
(now, I believe, in Kenya). The public
interest would be served if the
actual audit were undertaken by someone
who had been in at the birth of
the Company, and knew the position
at first.

On the other hand, there are the

obvious objections in principle which were
expressed in the Hararupia precedent -
7.6.21 General Order.

A possible compromise would be to
stipulate for Government nomination
of auditors, but for Government to
nominate some other firm. But

then only I should prefer to let
Mr. Roe Smith have the job with

unprofitable would be far more
apparent than real.

My early decision is agreed
as negotiation with the Company
must be concluded early next
week, if possible.

A. H. H. H.
2/11

Thinking Govt will continue
to show its 7 1/2 % of the
profits! A.H.

I don't want to enter into any
Company a Company with Government-appointed
Auditors. It looks too much as if Government
was actively concerned in the thing, and Government
is not actively concerned in this and won't be
concerned at all once the original loan is paid
back. The putting up of any money from the
Colonial Development Fund for a concern like
Hamboc and Machinery is of its very nature

speculative. We hope that it all will go well but if it does not the Colonial Development Fund (i.e. the Treasury) should be prepared to face a loss. If the thing proves to be a howling failure from the start such a loss will be incurred and it will not be fair for them to shoulder the burden. After all, it cannot be expected that every scheme will turn

out as well as it seems. So I think an examination of the scheme by the Government or by a committee of experts might give an additional view. Personally I think it would be better to have a committee of experts to look at the scheme from the Government's point of view. At the same time if the Government assistance Government would be better to obtain the right of having a say in what they do the Audit. Still, I don't think a course is necessary or even desirable.

As regards the appointment of Mr. Rae Smith's firm, I can only express surprise. In the case of the Macrop...

... it happened that the... L. Rae Smith... this... C.A.U. shall... Government audit and (b) suggest the nomination of a firm in which one of them is a partner.

We travel far and we travel fast in these days but I don't think that we have yet got away from the process of creating all appearances of evil, and while I agree entirely that

Mr.

Mr. Rae Smith's firm would be... and that his having been connected with the... from the start would be an advantage, yet it does occur the door to very nasty remarks and insinuations from which, in Mr. Rae Smith's own interests, he had better be shielded. In short, I do not advise that Government Auditors be appointed on the ground that Government's interests in the concern can only be temporary until the loan is paid off and, in any event, I think it should be laid down that Mr. Rae Smith's firm must be chosen.

I regret the latter part of it, because I believe that is quite good, but as I say I do not think it advisable. If it was anywhere but here perhaps I might be inclined to stretch a point but not all the limelight that beats upon that unhappy territory the thing would be bound to get out and the most extraordinary conclusions would be drawn in Parliament and elsewhere, and it would be difficult to persuade a really decent man to sever his ties.

J. C. H. ...

...

... tells me that the C. D. A. C. is... having... I think the... security is very small

I am not sure that this is in my power, but I agree with Mr. Hood on the principle.

...

I think, without hesitation,

1. Company not approved (not approved)

of auditors,

2. rule out Deloitte, Plender, Griffin & Co

3. I like to see the Memphis has been out of the case before I shall have ruled them out of the case

J. P. V.
 & /

Knowing all the facts of the case, one can be brief.

Just see my notes.

(i) I think we should require Govt.-approved auditors, so long as the C D A C money is not repaid.

(ii) I should also like to rule out Deloitte Plender in view of the circumstances. (I am very much surprised at the facts recited by Mr. Freeston.)

But I would not go as far as to rule them out, if the Co. suggests them for approval. If however

X Co. representatives were there when the suggestion was made, I would rule them out--adopting as pleasant a procedure as possible for communicating that decision. If there is no reason to think that the Co. representatives know anything about this matter, and if they in these circumstances asked for approval of Deloitte Plender, I do approve.

The 8th November, 1934.

W. S. Riddaway

8/11/34

* The Director is confident that the Company's representatives are of first class of the town, at all levels, and of course, when the necessary level place. The draft contract, which is the

designed to be approved by the Board for completion of the contract by the Board on 1st January. It is a full and complete proposal to be considered and approved by the Board on 1st January. I have the two Directors Gray and the Board and I propose that they may wish to substitute the approval of Company's representatives

The present attempt for the change would have to be that we do not want to take on the responsibility for an effort that is primarily for the protection of the shareholders. But if we make the change and the Co. suggests Deloitte Plender and we agree, will it be better than a change to get our hands in? On the whole, with a full Board would be free to put up any other firm.

I do not think it is wise to do A, with the omission of C. I think he has asked me to cut out in view of King's continuing interest

W.S.R. 9.11.34

I think that the situation is better. W.S.R.

Blackett, suggested by Sir C.
Gardner on 7/16/30 General and
not approved, might now be
sent.

GCIS

9/11/34

Sir G. Gardner's suggestion seems to
me to go well too far. Service
in the CMC is voluntary. If such
service, in addition to being not
profitable, is made "compulsory" for

shall not pay, being before coming
to be professional service.

Whether it is proposed

9/11/34

is there at a very simple
way of doing it. Decided
to be approved by the Ministry.
I don't like the idea of
taking away from a Co the
right to do it. But if
that is what is to be approved,

the Co will naturally
be expected to be
trading in the future
brand, & if it is
likely to be a
success will appear

P.C.

in i. 1/2 p. 1/2

in i. 1/2 p. 1/2

As regards Sir C. Bottomley's
minute, at a further meeting last Friday
(9th Nov) I suggested that "approved" be
substituted for "nominated" in the draft
Memorandum. Mr. Rae Smith accepted this
without any demur.

No further action is necessary at
the moment; a copy of these minutes
sent to me for the General Paper (11/21),
the original being attached to the copy.
Bancroft Pulp 1/1

Copy of memo. 22/3
on Dec 8/Dec 1934

copy of
labour to
be 1/10

10/11/34

In Freestone

III

Would you kindly look at the attached letter from the Rio Tinto Company about the bamboo pulp scheme and give me the benefit of your advice as to a reply.

I presume that there can be no question of communicating to them any details of the project, but would it be permissible to give them the names of anyone connected with the scheme, so that they can get into direct touch with them? I

believe the Rio Tinto Company are people of considerable substance?

I. B. Williams

21. 11. 34

Dr. Williams

I would suggest you telling Rio Tinto that the Counciling Engineers

who are advising the promoters
of the scheme are Messrs Hitchin
Jervis & Partners, 3 Central Buildings
Westminster, - & suggest further
enquiries to that address.

L. Brewster
21/11

112. To his Tinto Co. Ltd - 111 amount - 22 Nov 34

113. R.L. Jones (S.O) - 22 Nov 34

Encls. samples of bleached & unbleached pulp
manufactured under the Tomihiko Process & gives details
regarding bamboo used in their manufacture.

Mr J. H. Williams

You should be aware of
the existence of these samples, but I
don't suppose you wish to circulate
them to the C.D.N.C.!

(As regards the general position, I
understand from Col. Jervis by telephone
that, after several postponements, a
meeting is to be held today between
Mr. Rae Smith, the promoter (includes
Mr. Hall Cairns), and the Honorary

Joint Section (Mr. Cairns) of the Protected
Museum Co. (see my minute of 13 Nov), from
which it is hoped that something conclusive
will emerge.)

L. Brewster
26/11

Seen, thank you.

I pass through Sir John Campbell
as he may be interested to see
the samples of Tomihiko bamboo pulp.
I don't think it is worth while troubling
the Committee with them.

I would like to be kept in touch
with any further developments.

J. B. Williams

26.11.34

Enclos.

Publy (I have asked 113 by phone)

L. Brewster

27/11

116 There was another meeting on Wednesday morning
between Mr. Rae Smith, Mr. Hall Cairns, Col. Jervis & myself,
at which Mr. Hall Cairns' memorandum (1001 encl. in
114) was discussed. After the C.D.N.C. meeting that
afternoon, it was decided that Sir A. Blackett,
Mr. Rae Smith should visit the factory. The
meeting is arranged for Monday 4th Dec. 11.30 in E.O.
Cape Town.

114. Ed. James (S.O.) 29 Nov 54

Encls. 3 copies of 2 1/2 pgs. Kae Smith's memo, 2 pgs. memo on interview with Mr. Lewis on 27 Nov. & state that Mr. Hall's name has been asked to send his notes regarding Govt. guaranteed mortgage adventure.

115. To E.B.B. Speed (S.O.) - of encls. in 114 - 29 Nov 54

116. Ed. Hall Lane (S.O.) 29 Nov 54

Encls. summary of suggestions made at meeting regarding £100,000 Govt. guaranteed mortgage adventure.

117. A. Kae Smith (S.O.) 29 Nov 54

Encls. various memoranda & notes on meetings etc.

I have sent Mr. Speed a copy of the encl. to 116, S.O. in continuation of 115. To J.B. Williams in return of copy to Mr. Kae Smith & Sir B. Bleddyn. Wait

Edwards
S.O. etc.

This meeting took place, as arranged, Talsary (represented by Mr. Bridges & Mr. Speed) was very amenable to proposals. They definitely agreed (a) that the C.D. "guarantee" should cover the 3rd year. (b) that the Kae Smith's for financial liability should be limited to those of a "post office" Cf. para. 3 (a) of Co. memo in C/Dec, 1953.

On Monday next, Mr. Kae Smith will meet Mr. Hall Lane, Mr. Lewis, Col. Jones & myself at Mr. Lewis' office, at 10.15. to report

equipment - find memorandum which Mr. Kae Smith is drafting

As I go to see first thing on Monday

Edwards
S.O. etc.

118. Ed. James (S.O.) 30 Dec 54

States that he has interviewed Mr. Lewis who is only acting in a friendly capacity to Sir B. Bleddyn & has no knowledge of the administration process. States also that other further details of the process are received they will then communicate their opinion

119. A. Kae Smith (S.O.) 4 Dec 54

Encls. copies of letters to Ed. James & Mr. Lewis & memo on proposed guarantee of interest on £100,000 adventure to be issued by S.K.A. Public Works

No. 118 memo from a visit which I had from Mr. King, who talked about a pulp-manufacturing process conducted in Germany. I passed this on to Col. Jones.

No. 119 The meeting took place on Monday. As a result of 2 hours discussion, it was evident that Mr. Lewis, as representing the "insurance company" type of month, was not greatly impressed with the psychological value of the Govt. guarantee & he looked rather to the cash value, and found it very small (i.e. P.V. of say £1000 p.a. for 5 years) - He

114. Let James (5.0) 29 Nov 54

Encls. copies of Mr. Rae Smith's memo, & memo
on interview with Mr. Leaver on 24 Nov. & states that Mr.
Hall Cairn has been asked to send his notes regarding
Govt. guaranteed mortgage debenture.

115. To E.B.B. Speed (5.0) - cf. enclos. 114 - 29 Nov 54.

116. G. R. Hall Cairn (5.0) 29 Nov 54

Encls. summary of suggestions made at meeting
regarding £400,000 Govt. guaranteed mortgage debenture.

117. A. Rae Smith (5.0) 29 Nov 54

Encls. various memoranda & notes on meetings
etc.

I have sent Mr. Speed a copy of the encl.
to 116, s.p. in continuation of 115. Mr. J.B.
Williams is sending copies to Mr. Rae Smith
& Sir B. Blewett. W. act.

W. act.
5 of 11

The meeting took place as arranged, Tolson
(represented by Mr. Bridges & Mr. Speed) was very

He is quite sure they definitely agreed
(A) that the C.D. guarantee should cover the 5 1/2
year. (B) that the Kemp Govt. for financial
ability should be limited to those of a "post-office"
Corp. para. 8 (a) of co. memo. in C.D. (108).

At 11.00 am.
Dr. Monday next, Mr. Rae Smith will visit
Mr. Hall Cairn, Mr. Leaver, Col. Jones & myself
at Mr. Leaver's office; it is hoped to reach

agreement - a final memorandum which Dr. J.
Rae Smith is drafting
By Mr. T. in final form on Monday

W. act.
6 of 11

118. Let James (5.0) 1 Dec 54

States that he has interviewed Mr. Leaver who is only
acting in a purely advisory capacity to Dr. J. Rae Smith & has no
knowledge of the elaboration process. States also that when
further details of the process are received they will then
arrange to discuss them.

119. A. Rae Smith (5.0) 1 Dec 54

Encls. copies of letters to Mr. Leaver & Mr. Jones
on proposed guarantee of interest on £400,000 debentures to be
issued by G.E.M. Public Works.

No. 118 arises from a visit which I had
from Mr. Sieg, who talked about a
partly-manufactured process conducted in Germany.
I passed him on to Col. Jones.

No. 119. The meeting took place on Monday
As a result of 2 hours discussion it was
evident that Mr. Leaver, as representing the
"insurance company" type of investor, was not
greatly impressed with the psychological value
of the Govt. guarantee; he looked rather at
the cash value and found it very small
(P.V. of say £1,000 par 5 year) He

criticized the 6 1/2 leg, second. The first
above was that the scheme (with the leg
omitted) should be submitted to one of
several named underwriting firms, who
should be asked to suggest what rate
of interest should be carried by the debentures.

In the afternoon I obtained Treasury
consent (Mr. Bridges with Speed) to dropping
the 6 1/2 leg, out of the picture, & so
informed Mr. Rae Smith.

Mr. Rae Smith is now preparing yet
another edition of the memorandum, with
a view to putting it before the members.
There is nothing more that we can do
until we have been given the go-ahead.

14/1/35

120 R. R. Smith for
Enclo. a copy of letter to Ch. Lewis enclosing an
amended Note on the proposed guarantee of interest.
I have ack'd 120 2/2

noted
Wart
15/1/35

120

✓ 121 Stanhill & Gillis Ltd
Seek information regarding the Hambro bank scheme
& the Company concerned.

DESTROYED UNDER STATUTE
Reply on the lines of No 107
(see 121)
C. A. Brown
24/1/35

yes
I was told

To Stanhill & Gillis (121 and) 29/12/34

125 Lt. Lewis (S.O.)
DESTROYED UNDER STATUTE
Enclo. full of notes in connection with the Agreement
in inquiry why it has been sent to them.

126 to Gen. Kings Tel (R. L. L. L.) 17/1/35
Yesterday S. J. saw Mr. Hall Cairn
John Lewis & Col. Tucker (a member
of the K.V. Railway Advisory Council). As
a result No. 124 was sent. D. L. is
in supplement, based on info
from Col. Lewis this morning.
Mr. Rae Smith tells me that
he had a talk with Mr. R. L. L. L.

Captain Mackay (a friend) who has
been invited to back the U.S. F.
S. would be quite interested, but doubts
that some attention of the capital
structure may be desirable.

S. J. P. told me yesterday that he
would be ready to see Mr. S. would,
if it would help, & I have been
so informed Mr. Rae Smith.

Receipt for N° 125

W. H. Smith
18/1

125 Tel. to Gov. (P. Mackay) 18 1885

126 Harrison Suggs & Co. 19th January 35

Encs one of the original Agreements.

126 Messrs Harrison Suggs' "understanding" is
deficient. We asked them in N° 8, to return
one copy for transmission to Gov; but I
have taken no steps to recover them
recently.

The copy enclosed has had two
G.D. stamps affixed, & the signatures of
Mr. White & Mr. Macdonald respectively. We
have a plain copy, for reference when
required. Encs N° 55.

No further action is necessary.

they have had a p.c. receipt

N° 125 I have spoken to Col. Jones

& Mr. Barclay (see N° 8)

Wait

W. H. Smith

25/1

HARRISON, SUGDEN & CO

SOLICITORS

COMMISSIONERS FOR OATHS

WILLIAM HARRISON, LL.B.

T. F. SUGDEN, LL.B.

TELEGRAMS ADDRESS

FIFTHOTI, ESTRAND, LONDON

WEST END OFFICE

14, CONNAUGHT STREET, W.2

1937

1938

1939

1940

1941

1942

1943

1944

1945

1946

1947

1948

1949

1950

1951

1952

1953

1954

1955

1956

1957

1958

1959

1960

1961

1962

1963

1964

1965

1966

1967

1968

1969

1970

1971

1972

1973

1974

1975

1976

1977

1978

1979

1980

1981

1982

1983

1984

1985

1986

1987

1988

1989

1990

1991

1992

1993

1994

1995

1996

1997

1998

1999

2000

2001

2002

2003

2004

2005

2006

2007

2008

2009

2010

2011

2012

2013

2014

2015

2016

2017

2018

2019

2020

2021

2022

2023

2024

2025

2026

2027

2028

2029

2030

2031

2032

2033

2034

2035

2036

2037

2038

2039

2040

TELEPHONE 477 TEMPLE BAR

HEAD OFFICE

MADDINGTON 3281

WEST END OFFICE

Australia House,
Strand,

London W.C.2

12

12

WH/AMV.

Enclosure.

REGISTERED.

10th January 1935.

For the attention of Mr. Preston.

Dear Sir,

ACKD. BY P.M.F.

Incorporated Company.
British East African Pulp Mills Ltd.

We understand from Messrs. Hitchens, Jervis & Partners that you are urgently requiring one of the original Agreements herein executed by the Governor of Kenya, Mr. Udall and Mr. Macaskie, and we enclose same herewith. Kindly acknowledge receipt and oblige.

Yours faithfully,

[Handwritten signature]

The Secretary of State for the Colonies,
Colonial Office,
Downing Street,
S.W.1.

Incl in orig to Kenya (14 on 38030/86)

125
13

23201/34

TELEGRAM from the Secretary of State for the Colonies
to the Governor of Kenya.

(Sent 5.15 p.m., 18th January, 1935.)

Private and Personal.

My telegram 17th January Private and Personal.

I understand that Jarvis has written to you and Rhodes
by air mail which left London 15th January.

C. O.

2320/34

128 K4

Mr. Newton R. / Home

Vising-

Mr.

Mr. Parbinson.

Mr. Tomlinson.

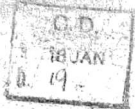
Sir C. Bottomley.

Sir J. Shackleton

Perm. U.S. of S.

Pres. U.S. of S.

Secretary of State.



Coded and sent
5.15 pm 18/1/35
R.T.

DRAFT Tel

Governor Nimrod (2a)

Private and Personal. My

letter 17 Jan Private & Personal. I understand that JERVIS has written to you and RHODES by airmail leaving which left London 16th Jan.

(After speaking to
The Hon & Sir C.
Bottomley)

15124

23201/34

Telegram from the Secretary of State for the Colonies
to the Governor of Kenya.

Sent 8.20 p.m., 17th January, 1935.

Private and Personal.

I am as anxious as you are to get the Bamboo pulp scheme
through. I have settled the conditions of Treasury guarantee most
satisfactory. But the railway rates on which Railway are
insisting are a serious obstacle. Please go into this thoroughly
yourself. The tonnage offered is on unprecedented scale; and I
understand that reduction asked for on crushed bamboo or bamboo
poles would still leave rate higher than that charged on maize,
cotton seed and certain other commodities. In these circumstances
a rate of 4 cents could not reasonably lead to demands for
concessions by other consignors. It is so important to get this
great industry established with consequent increased traffic for
railway and port that every possible effort should be made to reduce
railway rates to lowest possible figure.

I do not understand why Railway object to Company providing
their own tracks in special circumstances of this case, if that
would help to a reduction in freight charges.

You will I know bear in mind importance of increased traffic
in reducing harbour deficit.

23201/34

15124

Telegram from the Secretary of State for the Colonies
to the Governor of Kenya.

Sent 6.20. p.m., 17th January, 1935.

Private and Personal.

I am as anxious as you are to get the Bamboo pulp scheme
through. I have settled the conditions of Treasury guarantee most
satisfactory. But the railway rates on which Railway are
insisting are a serious obstacle. Please go into this thoroughly
yourself. The tonnage offered is on unprecedented scale; and I
understand that reduction asked for on crushed bamboo or bamboo
poles would still leave rate higher than that charged on maize,
coffee seed and certain other commodities. In these circumstances
a rate like that 4 cents could not reasonably lead to demands for
concessions by other consignors. It is so important to get this
great industry established with consequent increased traffic for
railway and port that every possible effort should be made to reduce
railway rates to lowest possible figures.

I do not understand why Railway object to Company providing
their own tracks in special circumstances of this case, if that
would help to a reduction in freight charges.

You will I know bear in mind importance of increased traffic
in reducing harbour deficit.

Mr.
Mr.
Mr.
Mr. Parkinson.
Mr. Tomlinson.
Sir C. Bottomley.
Sir J. Shuckburgh.
Permt. U.S. of S.
Parly. U.S. of S.
Secretary of State.

17/1. also
sent

Considered
8-20 P.M.
17/1/25
G.H.

DRAFT. TELEGRAM.

GOVERNOR KENYA
(BYRNE)

Private and Personal.

I am as anxious as you are to get the Bamboo pulp scheme through. I have settled the conditions of Treasury guarantee most satisfactorily. But the railway rates on which Railway are insisting are a serious obstacle. Please go into this thoroughly yourself. The tonnage offered is on unprecedented scale; and I understand that reduction asked for on crushed bamboo or bamboo poles would still leave rate higher than that charged on maize, cotton seed and certain other commodities. In these circumstances a lower rate than 4 cents could not reasonably lead to demands for concessions by other consignors. It is so important to

FURTHER ACTION.
Recd. G.H.
K.M.
G.H.
2/1

get this great industry established
with ^{Government} consignment increased traffic for railway
and port that every possible effort should
be made to reduce railway rates to lowest
possible figure.

I do not understand why Railway object
to Company providing their own trucks in
special circumstances of this case, if that
would help to a reduction in freight charges.

You will I know bear in mind
importance of increased traffic in reducing
harbour deficit.

a lower rate than 4 cents could not reasonably lead to demands for concessions by other consignors. It is so important to get this great industry established with consequent increased traffic for railway & port that every possible effort should be made to reduce its rates to lowest possible figure.

I do not understand why Railway object to Company providing their own trucks in special cases of this case, if that wd. help to a reduction in freight charges.

You will I know bear in mind importance of increased traffic in reducing losses Deficit.

STATISTICS ON RAILAGE FREIGHT FOR BAMBOO

19

	TONS	TON MILES	CENTS
Crushed Bamboo	250,000	59,750,000 at 4 cts. =	239,000,000 cts.
Coal	112,000	15,232,000 at 8 " =	121,856,000 "
Rock Salt	65,000	8,840,000 at 10.4 " =	91,780,000 "
Pulp	100,000	13,600,000 at 6 cts. =	81,600,000 "
	<u>517,000</u>	<u>97,422,000</u>	<u>534,236,000</u>
		=	<u>5.5 cts. per ton mile.</u>

Crushed Bamboo	250,000	59,750,000 at 3.5 cts. =	209,125,000 "
Coal	112,000	15,232,000 at 8 " =	121,856,000 "
Rock Salt	65,000	8,840,000 at 10.4 " =	91,780,000 "
Pulp	100,000	13,600,000 at 6 " =	81,600,000 "
		<u>97,422,000</u>	<u>504,361,000</u>
		=	<u>5.177 cts. per ton mile.</u>

Crushed Bamboo	250,000	59,750,000 at 3 cts. =	179,250,000 "
Coal	112,000	15,232,000 at 8 " =	121,856,000 "
Rock Salt	65,000	8,840,000 at 10.4 " =	91,780,000 "
Pulp	100,000	13,600,000 at 6 " =	81,600,000 "
		<u>97,422,000</u>	<u>474,486,000</u>
		=	<u>4.74 cts. per ton mile.</u>

Mr. *Wrenn*
Mr. *Chase*
Mr.
Mr. Parkinson
Sir G. Tomlinson
Sir C. Bottomley
Sir J. Shuckburgh
Parlt. U.S. of S.
Parly. U.S. of S.
Secretary of State.

G. D.
R 27 DEC
D

29 December

DRAFT.

Messrs. Simon Hill & Gillis Ltd

9 Jan

(12)

Dear Sir,
I enclose to you
acknowledging the
receipt of your letter
of the 26th of December
and to inform you
that the negotiations
for the formation of a
Company to manufacture
bamboo pulp in
Kenya are still
proceeding.

The ~~Company~~
Directors to the
promoters of this
enterprise are Messrs
Kitching, Jarvis and
Partners, 3, Central
Buildings, Westminister
I am to suggest that
any enquiries which
you may wish to put

FURTHER ACTION.

Should be addressed to
that firm

I am etc.

(Signed) J. E. W. FLOOD

CARDIFF
SWANSEA
YBRIO

PARIS
BRUSSELS
ANTWERP
ROME
MILAN

VIENNA
BUDAPEST

NEW YORK
BOSTON
MONTREAL
TORONTO
HAVANA
MEXICO CITY

BUENOS AIRES
ROSARIO
TUCUMAN
MONTE VIDEO

RIO DE JANEIRO
SAN PAULO
FERNANDECO
SANTOS

SANTIAGO
VALPARAISO
ANTOFAGASTA
LIMA
LA PAZ

21 120
JOHANNESBURG
NAPR 20/1934
PORT ELIZABETH
DURBAN
BULLHANO
SALISBURY
NIOBA

DELOITTE, PLENDER, GRIFFITHS & CO

Enc.

5, London Wall Buildings
London, E.C.2

LORD PLENDER, C.B.E.
HEROLD PEAR
RICHARD C. LAWRENCE
JAMES KILPATRICK
HAROLD HOOKLEY
JOHN W. BAIRD
CHARLES R. GOULDER

TELEGRAMS: DELOITTE (AVE) LONDON. TELEPHONE: LONDON WALL 2222 (8 LINES)
CABLES: DELOITTE (ALL OFFICES) DELOITTE

13th December, 1934

L. B. Frazer, Esq.,
Colonial Office,
Whitehall, S.W. 1.

Dear Frazer,

KENYA PULP SCHEME.

I enclose copy of letter which I have written to
Colonel Jarvis and of the fresh Notes enclosed therein.

Yours sincerely,

W. H. C. Smith

Enc.

22

13th December, 1934.

Colonel E. C. Lockhart-Jervis, D.S.O.,
Messrs. Hitchins, Jones & Partners,
3, Central Buildings,
Westminster, S.W. 1.

Dear Colonel Jervis,

KINGMA PULP SCHEME.

As arranged over the telephone this afternoon, I
send you a fresh Note on the Proposed guarantee of interest
(marked "A"), with two carbon copies, for use when you see
Mr. Scrodd.

This Note omits, as suggested by Mr. Lever the other
day, the rate of interest to be guaranteed on the debentures
It also does not contain any reference to the levy of 6/3d.
per ton.

Yours sincerely,

(Sgd.) A. RAE SMITH.

KENYA PULP SCHEME

Note on proposed guarantee of
Interest on £700,000 Debentures
to be issued by British East
African Pulp Mills.

(1) A sum to be raised by the company on its formation by the issue of Debentures and Ordinary Shares sufficient to cover interest on the Debentures for the first two years.

This will mean that the ordinary share issue will be about £750,000, instead of the £700,000 originally proposed.

Note: In the first year the interest payable will probably be less than a full year's charge, depending upon the dates on which the Debentures are called up.

The interest so raised by the issue of capital to be placed on deposit in the joint names of the British Treasury and the company, and to be released for the payment of Debenture interest as and when such interest is due, or for such other purposes as the Treasury may approve.

Note: The company to take power to charge to Capital Interest on Debentures during the construction period.

(2) The British Government to guarantee the payment of the interest on the £700,000 Debentures for a period of seven years, dating from the formation of the company.

(3) As security for the foregoing guarantee, the company is (a) to lodge in a special bank account -

(i) The first two years' interest, as specified in (1) above;

(ii) such further sum out of the net earnings of the company (arrived at for the purpose in the manner described in (4) below) as may be required to provide for the Debenture interest for that year.

(b) to take out with a first-class British insurance company a sinking fund policy to be paid £100,000 in 15 years at an estimated premium of £5,000 per annum, commencing in the first year of the company's existence. In the event of the Government advancing in payment of the guarantee totalling to a greater sum than £100,000, such policy to be continued after the expiration of the 15 years for such further period as may be necessary in order to accumulate to the sum required to redeem the advances. The Policy to be lodged with Trustees.

(4) For the purpose of calculating the due profits into the Joint account under (3) (ii) above, the net earnings of the company shall be arrived at, after making appropriate provision for depreciation (not exceeding in the case of fixed plant and machinery 7% on original cost) and after charging (i) the premium referred to in paragraph (3) above and (ii) interest on advances under the guarantee; but before making any such appropriations to general or free reserves, and before charging British Income Tax and Debenture Interest or Debenture Redemption, and before debiting or crediting any losses or profits arising on the purchase and/or sale of investments or of the capital assets (except ordinary obsolescence of plant and machinery). The net earnings in this connection to be certified (at the expense of the company) by auditors approved by the British Treasury, who shall be provided by the company with all the information and facilities they require.

(5) Any sums found by the British Government in respect of its guarantee to be treated as advances to the company, bearing interest (until repaid) at 4 1/2% per annum, and to be secured on the sums paid into the Special Joint account and on the Sinking Fund Policy (see paragraph 3 above) and by a charge on the company's undertaking, ranking after the 7% Debentures.

Such advances to be repaid by the company by means of the Sinking Fund policy referred to in paragraph 3, or at any

and, prior to the maturity of the policy, at the option of the company.

(6) Dividends declared by the company on its Ordinary Shares are not to exceed 5% per annum, as long as any advances under the guarantee are outstanding, and no sum to be due by the Government under the guarantee so long as the company carries forward undistributed profits, either on its Profit and Loss Account or in reserve. (For this purpose interest on debentures during the construction period is to be chargeable to Capital, and no charge is to be made against profits for debenture redemption).

(7) Redemption of the debentures not to commence earlier than 10 years after the issue thereof to the public.

(8) The auditors referred to in (4) above shall certify to the Kenya Government as to the correctness of the sums paid by the company to that Government in respect of royalties, and that Government's share of 7 1/2% of the net profit of the company (free of British Income Tax), such share of profit to be calculated upon the net earnings of the company arrived at after making appropriate provision for depreciation and British Income Tax and after charging (i) debenture interest and debenture sinking fund (provided that the sinking fund charge is limited by the company to 1/2% in its annual accounts); (ii) interest on advances and repayment of principal of) the advances under the guarantee, but before making any appropriations to general or free reserves, and before debiting or crediting any losses or profits arising on the purchase and sale of investments or other capital assets (except depreciation of plant and machinery).

(9) The company's prospectus to be approved by the Secretary of State before publication.

(10) The Board of Directors to be approved by the Secretary of State, and any changes in the original board during the first seven years, or so long as there are any outstanding advances from the Treasury.

(11) Arrangements, satisfactory to the Secretary of State, to be made, providing for the subscription in full of the 275,000 ordinary shares and 275,000 debentures proposed to be issued by the company.

(12) The company to undertake not to manufacture, either directly or indirectly, cement or any other finished product of the pulp in West Africa, without first obtaining the concurrence of H.M. Government.

(13) The company to undertake that all plant and materials shall be obtained from British sources and shipped in British bottoms, unless a case to the contrary can be made out to the Secretary of State's satisfaction.

13th December, 1934.

BARCELONA	PARIS	VIENNA	NEW YORK	BUENOS AIRES	RIO DE JANEIRO	SANTIAGO	JOHANNESBURG
SWANSEA	BIRMINGHAM	BOSTON	BOSTON	RODRIGO	SAN PAULO	VALPARAISO	CAPE TOWN
TRURO	ROME	TORONTO	MONTREAL	TUCHMAN	PRINCETON	ANCONA	PORT ELIZABETH
	MILAN	HAVANA	MEXICO CITY	MONTREAL	SARAGOSSA	LA PAZ	DURBAN
		BUDAPEST					BULAWAYO
							RAIBENITZ
							MOSBY

DELOITTE, PLENDER, GRIFFITHS & CO

PERCIVAL D. GRIFFITHS	LODGE PLENDER, C.B.E.
LIONEL MALBY	HAROLD READ
ARTHUR E. CUTFORTH, C.B.E.	ROBERT G. MANNING
RURICK KETTLE	JAMES KILPATRICK
ALAN RAE SMITH	HAROLD HODGLEY
	JOHN W. BARR
	CHARLES R. COLLOD

Enc

5 London Wall Building
Industry Circus
London E.C.2

TELEGRAMS: DELOITTE (AVE) LONDON. TELEPHONE: LONDON W.C. 232 (8 LINES).
CABLES: DELOITTE (ALL OFFICES) DELOITTE

7th December, 1934.

I. E. Freeston, Esq.,
Colonial Office,
Whitehall, S.W. 1.

Dear Freeston,

KENYA PULP SCHEME.

I enclose copy of letters I have written to Colonel Jervis and to Mr. Lever and of the accompanying memorandum. I am meeting Colonel Jervis and Mr. Hall Caine at Mr. Lever's office on Monday next, 10th instant, at 11 a.m., when the new memorandum will be considered.

Yours sincerely,

A. H. Smith

CARDIFF.
SWANSEA.
TRURO.

PARIS.
BRUSSELS.
ANTWERP.
ROBE.
MILAN.

VIENNA.
BUDAPEST.

NEW YORK.
BOSTON.
MONTREAL.
TORONTO.
HAVAN.
MEXICO CITY.

GUANO BIRSE.
ROSARIO.
TUCUMAN.
MONTE VIDEO.

RIO DE JANEIRO.
S. PAULO.
PENAMBICO.
SANTOS.

SANTIAGO.
VALPARAISO.
ANTOFAGASTA.
LIMA.
LA PAZ.

JOHANNESBURG.
CAPE TOWN.
PORT ELIZABETH.
DURBAN.
BULAWAYO.
SALISBURY.
NORVA.

DELOITTE, PLENDER, GRIFFITHS & CO

LORD PLENDER, G.D.E.
PENELOPE D. GRIFFITHS.
LIONEL MALTEY.
ARTHUR E. GUYFORTH, C.B.E.
RUBEN KATTEL.
ALAN RAE SMITH.

IGACIO REIS.
DIONISIO C. MARTIN.
JAMES KILPATRICK.
HAROLD HOOKLEY.
JOHN W. BAIRD.
CHARLES R. QUINN.

5 London Wall Buildings
City, London E.C. 4

TELEGRAMS: DELOITTE (AVE) LONDON TELEPHONE: LONDON WALL 3000 (4 Lines)
CABLES: DELOITTE (AVE) LONDON TELETYPE: LONDON WALL 3000 (4 Lines)

7th December, 1934.

E. H. LEVER, Esq.,
Prudential Assurance Company,
Wellington House,
E.C. 2.

Dear Lever,

KENYA PULP SCHEME.

I enclose a copy of a memorandum which I have prepared as a result of a meeting which took place at the Colonial Office on Tuesday, at which the suggestions you made to Mr. Hall Caine and Colonel Jarvis, as set out in the notes submitted by those two gentlemen, were considered.

You will see that effect has been given in the memorandum to one of your suggestions.

I thought it would be helpful if this memorandum were prepared and circulated before we meet at your office on Monday next, 10th instant.

Yours sincerely,

(Sgd.) A. RAE SMITH.

BRITISH PULP COMPANY

Note on proposed guarantee of interest on £700,000 Debentures to be issued by British Pulp Company Limited.

(1) Such sum to be raised by the company on its formation by the issue of ordinary shares as is sufficient to cover interest on the Debentures for the first five years, namely, a nominal sum of £65,000 (£21,500 per annum x 3).

This will mean that the ordinary share issue will be about £770,000 instead of the £700,000 originally proposed.

Note:- In the first year the interest payable will probably be less than £21,500, depending upon the dates on which the debentures are called up.

The additional sum of £65,000 so raised to be placed on deposit in the joint names of the British Treasury and the company, and to be released for the payment of Debenture interest as and when such interest is due, or for such other purposes as the Treasury may approve.

Note:- The company to take power to charge to Capital Interest on Debentures during the construction period.

(2) The British Government to guarantee and payment of the interest (at a rate not exceeding 4%) on the £700,000 Debentures for a period of seven years, dating from the formation of the company.

(3) as security for the foregoing guarantee, the company

(a) to lodge in a Special Bank Account the £65,000 as specified in (1) above;

(b) to pay into the Special Joint Banking account -

(i) a levy of 6/3d. per ton on all pulp sold;

(ii) such further sum out of the net earnings of the company (arrived at for the purpose in the manner described in (4) BM 39) as may be required, after allowing for the levy paid under (1) above, to provide for the Debenture Interest for that year.

(c) to take out with a first-class British insurance company a sinking fund policy to redeem £100,000 in 15 years at an estimated premium of £5,500 per annum, commencing in the first year of the company's existence. In the event of the Government advances in respect of the guarantee totalling to a greater sum than £100,000, such Policy to be continued after the expiration of the 15 years for such further period as may be necessary in order to accumulate to the sum required to redeem the advances. The Policy to be lodged with Trustees.

Note:- If the levy exceeds the Debenture Interest, such excess is to be left in the Special Sinking Account as a reserve for future years, or utilised in repayment of advances previously made under the guarantee.

The sums paid into the Special Sinking Account as in (b) above to be utilised in meeting the guaranteed interest or in repayment of advances already made in respect of the guarantee.

(4) For the purpose of calculating the sum payable into the Joint Account under (3) (b) (3) above, the net earnings of the company shall be arrived at, after making appropriate provision for depreciation (not exceeding in any case the fixed plant and machinery 7 1/2% on original cost) and after charging (i) the levy and the premium referred to in paragraph (3) above and (ii) interest on advances under the guarantee, but before making any appropriation to dividend or bonus or reserve, and before charging British Income Tax and Debenture Interest or Debenture Redemption, and before deducting or crediting any losses or profits arising on the purchase and/or sale of investments or of the capital assets (except ordinary share issues of plant and machinery). The net earnings in this connection to be certified (at the expense of the company) by auditors approved by the British Treasury, who shall be provided by the company with all the information and facilities they require.

(5) Any sums found by the British Government in respect of its guarantee to be treated as advances to the company, bearing interest (until repaid) at 4% per annum, and to be secured on the sums paid into the Special Joint Account and on the Sinking Fund Policy (see paragraph 3 above) and by a charge on the company's undertaking, ranking after the First Debentures

Such advances to be repaid by the company by means of the Sinking Fund policy referred to in paragraph 3, or at any time, prior to the maturity of the policy, at the option of the company.

(6) Dividends declared by the company on its Ordinary Shares are not to exceed 5% per annum so long as any advances under the guarantee are outstanding, and as far as may be the Government under the guarantee claims of the company for forward undistributed profits, dividends, interest on debentures or in reserve. (For this purpose interest on debentures during the construction period is to be calculated on capital, and no charge is to be made against profits for debenture interest.)

(7) The £700,000 debentures to bear interest at a rate not exceeding 4% per annum, redemption of the debentures not to commence earlier than 10 years after the issue thereof to the public.

(8) The auditors referred to in (4) above shall certify to the Kenya Government as to the correctness of the sums paid by the company to that Government in respect of royalty, and that Government's share of 1/10 of the net profits of the company (less of Initial Income Tax), such share of profit to be calculated upon the net earnings of the company arrived at after making appropriate provision for depreciation and British Income Tax

34 118

HITCHINS, JERVIS & PARTNERS.

CHARTERED CONSULTING ENGINEERS.

CHARLES F. HITCHINS, D.S.O., M.I.Mech.E., M.I.E.E.
 E. C. LOCKHART-JERVIS, D.S.O., M.I.Mech.E., M.I.E.E.
 L. S. SWINERTON DYER, A.M.I.Mech.E.

TELEPHONE: WHITEHALL 4118 (8 LINES)
 TELEGRAMS: HITCHINS, LONDON.
 CABLES: H. J. & P. 29, EDINBURGH, BENTLEY & PRIVATE.

*Hallam House,
 3, Central Buildings,
 Westminster,
 London, S.W.1.*

J/B.

7th December, 1934.

Confidential.

L. B. Freeston Esq.,
 Colonial Office,
 Downing Street, S.W.1.

Dear Mr. Freeston,

H. SIEG.

As you requested a short time ago that I should see Mr. Sieg we arranged for him to call here and see us on the 29th November. Apparently Mr. Sieg has no knowledge whatever of the subject on which he called to see us about as he was only acting in a friendly capacity to Dr. Hans Mühlenbein of Furstenstrabe, Dresden.

This is a chlorination process and at the present moment is being used in a factory in Germany. We have grave doubts as to the claims which they make and consequently we have written direct to Dr. Hans Mühlenbein and asked him to let us have full details.

When these particulars arrive and we have examined them, we will then give you our opinion. We thought you would like to have this information in case other enquiries of a similar nature arise, which you will appreciate take time to investigate.

Yours sincerely,

Benjamin

KENYA PULP MILLS

Notes on proposed guarantee of interest on £700,000 Debentures to be issued by British East African Pulp Mills.

(1) An additional sum to be raised by the company on its formation by the issue of Ordinary Shares sufficient to cover interest on the Debentures for the first three years, namely, a maximum sum of £24,500 (£81,500 per annum x 3).

This will mean that the Ordinary Share issue will be about £800,000 instead of the £700,000 originally proposed.

~~NOTE:- In the first year the interest payable will probably be less than £81,500, so that the sum of £24,500 which the Debentures are to be raised for~~

~~The additional sum of £24,500 to be raised to be placed on deposit in the name of the British Treasury and the company, and to be released for the payment of Debenture interest as and when such interest is due for such other purposes as the Treasury may approve.~~

~~NOTE:- The company to take power to charge its Capital Interest on Debentures during the construction period.~~

(2) The British Government to guarantee the payment of the interest (at a rate not exceeding 4½%) on the £700,000 Debentures for a period of seven years, dating from the formation of the company.

(3) As security for the foregoing guarantee, the company is -

Memorandum
14th June or 5th November
1954

B. R. ...

A
36

KENYA PULP MILLS

Note on proposed guarantee of interest on £700,000 Debentures to be issued by British East African Pulp Mills.

(1) An additional sum to be raised by the company on its formation by the issue of ordinary shares sufficient to cover interest on the Debentures for the first three years, namely, a maximum sum of £94,500 (£31,500 per annum x 3).

This will mean that the ordinary share issue will be about £800,000 instead of the £700,000 originally proposed.

~~Right~~ In the first year the interest payable will probably be less than £31,500, depending upon the ~~amount~~ which the Debentures are ~~issued~~.

The additional sum of £94,500 is to be placed on deposit in the name of the British Treasury and the company, and to be released for the payment of Debenture interest as and when such interest is due for such other purposes as the Treasury may approve.

~~Right~~ The company to take power to charge its Capital Interest on debentures during the construction period.

(2) The British Government to guarantee the payment of the interest (at a rate not exceeding 4½) on the £700,000 Debentures for a period of seven years, dating from the formation of the company.

(3) As security for the foregoing guarantee, the company is -

- (a) to lodge in a Special Bank Account the sum of £25,000 as specified in (1) above;
- (b) in the fourth, fifth, sixth and seventh years after the company is formed, to pay into the Special Joint Banking Account -
 - (i) a levy of _____ per ton on all pulp sold;
 - (ii) such further sum out of the net earnings of the company (arrived at in the manner described in (1) below) as may be required, after allowing for the levy paid under (i) above, to provide for the debenture interest for that year and to repay any advances previously made under the guarantee.

Note:- If the levy exceeds the debenture interest, such excess is to be left in the Special Banking Account as a reserve for future years, or utilized in respect of advances previously made under the guarantee.

The sums paid into the Special Banking Account as in (b) above to be utilized in meeting the guaranteed interest or in repayment of advances already made in respect of the guarantee.

(c) The net earnings of the company to be arrived at, after making appropriate provision for depreciation (not exceeding in the case of fixed plant or machinery $\frac{7\frac{1}{2}}{100}$ on original cost) and after charging (1) the levy referred to in (3) (b) (i) above and (2) interest on advances under the guarantee, but before making any other provision for general or free reserves, and before charging British Income Tax and debenture interest or sinking fund, and before debiting or crediting any losses or profits arising on the purchase and/or sale of investments or of the capital assets (except ordinary devaluations of plant and machinery). The net earnings in this connection to be certified (at the expense of the company) by auditors nominated by the British Treasury, who shall be provided by the company with all the information and facilities they require.

38

(3) Any sums paid by the British Government in respect of its guarantee to be treated as advances to the Company, bearing interest (until repaid) at 4 1/2 per cent, and to be secured on the sums paid into the Special Joint Account (as in (2) above) and by a charge on the company's undertaking, ranking equally with the principal sum secured by the First Debentures, but after any interest secured by such Debentures.

Such advances to be repaid by the company within fifteen years, commencing in the eighth year after the formation of the company, by equal annual instalments, or earlier at the option of the company.

(4) No dividend on its Ordinary Shares to be declared by the company so long as any advances under the guarantee are outstanding and no sum to be due by the Government under the guarantee so long as the company carries forward undistributed profits, either on its Profit & Loss Account or in reserve. (For this purpose interest on Debentures during the construction period is to be chargeable to Capital, and no charge is to be made against profits for debenture redemption).

(7) The £700,000 Debentures to bear interest at a rate not exceeding 4 1/2 per cent, redemption of the Debentures not to commence earlier than 10 years after the issue.

(8) The auditors referred to in (4) above shall certify to the Kenya Government as to the correctness of the sums paid by the company to that Government in respect of royalty, and the Government's 7 1/2 share of profits (free of British Income Tax), such share of profit to be calculated upon the net earnings of the company arrived at after making appropriate provision for depre-

39

division and British Income Tax and after charging (1) Debenture interest and debenture sinking fund (provided that the sinking fund charge is debited by the company to Revenue in its annual accounts) (2) Interest on (but not repayment of principal) the advances under the guarantee, till before making any appropriations to general or free reserves, and before debiting or crediting any losses or profits arising on the purchase and sale of investments or other capital assets (except obsolescence of plant and machinery).

(9) ~~The company's prospectus to be approved by the Secretary of State before publication.~~

(10) The Board of Directors to be approved by the Secretary of State.

(11) Arrangements, satisfactory to the Secretary of State to be made, providing for the subscription in full of the 250,000 ordinary shares and 2,700,000 debentures proposed to be issued by the company.

(12) The company to undertake not to manufacture paper, or any other finished product of the pulp, in Hong Kong (except for the wrapping paper which, it is understood, will be required for packing the pulp for shipment).

(13) The company to undertake that all plant and material shall be obtained from native sources and shipped in British bottoms, unless a case to the contrary can be made out to the Secretary of State's satisfaction.

Note on proposed guarantee of interest on £70,000
debentures to be issued by British East African
Pulp Mills Ltd.

As prepared by Colonial Service as a result of the
interview on 10th February 1956.

(1) An additional sum of £94,500 to be raised by the Company on its
formation by the issue of Ordinary Shares sufficient to cover
interest on the Debentures for the first three years, namely,
a maximum sum of £94,500 (£31,500 per annum x 3).

This will mean that the Ordinary Share issue will be about
£800,000 instead of the £700,000 originally proposed.

Note: In the first year the interest payable will
probably be less than £31,500 depending upon the dates
on which the Debentures are called up.

The additional sum of £94,500 so raised to be placed on deposit
in the joint names of the British Treasury and the company, and
to be released for the payment of Debenture interest as and when
such interest is due, or for such other purposes as the Treasury
may approve.

Note: The Company to take power to charge its Capital
Interest on Debentures during the construction period.

(2) The British Government to guarantee the payment of the
interest (at a rate not exceeding 4%) on the £700,000 Debentures
for a period of seven years, dating from the date of the allot-
ment of the Company's debenture stock for £700,000.

(3) As security for the foregoing guarantee, the company is

DATA FILE CASE.

Notes on proposed guarantee of interest on £700,000 debentures to be issued by British Road Asphalt Co. Ltd. Pulp Mills Ltd.,

As prepared by Colonial Service as a result of the interview on 1st June and 7th June 1941.

(1) An additional sum to be raised by the Company on its formation by the issue of Ordinary Shares sufficient to cover interest on the Debentures for the first three years, namely, a maximum sum of £94,500 (£31,500 per annum x 3).

This will mean that the Ordinary Share issue will be about £800,000 instead of the £700,000 originally proposed.

Note: In the first year the interest payable will probably be less than £11,500 depending upon the dates on which the debentures are called up.

The additional sum of £94,500 to be raised to be placed on deposit in the joint name of the British Treasury and the company, and to be released for the payment of debenture interest as and when such interest is due, or for such other purposes as the Treasury may approve.

Note: The Company to take power to charge to Capital Interest on Debentures during the construction period.

(2) The British Government to guarantee the payment of the interest (at a rate not exceeding 4%) on the £700,000 debenture for a period of seven years, dating from the date of the allotment of the Company's debenture stock for £700,000.

(3) As security for the foregoing guarantee, the company is

(a) To be paid in (Special Bank Account) the £90,500 as specified in (1) above:

(b) In the fourth, fifth, sixth and seventh years after the company is formed, to pay into the Special Joint Banking Account -

(1) a levy of $5/34$ per ton on all sales;

(11) such further sum out of the net earnings of the company (arrived at for this purpose in the manner described in (4) below) as may be required, after allowing for the levy paid under (1) above, to provide for the adventure interest for that year and to repay any advances previously made under the guarantee.

Note: - If the levy exceeds the adventure interest, such excess is to be left in the Special Banking Account as a reserve for future years, or utilised in repayment of advances previously made under the guarantee.

The sums paid into the Special Banking Account as in (b) above to be utilised in meeting the guaranteed interest or in repayment of advances already made in respect of the guarantee.

(4) For the purpose of calculating the sum payable into the Joint Account under (3)(b)(ii) the net earnings of the Company to be arrived at, after making appropriate provision for depreciation (not exceeding in the case of fixed plant and machinery $7\frac{1}{2}\%$ on original cost) and after charging (1) the levy referred to in (3)(b)(i) above and (2) interest on advances under the guarantee, but before making any appropriations to general or free reserves, and before charging British Income Tax and Adventure interest on Sinking Fund, and before debiting or crediting any losses or profits arising on the purchase and/or sale of investments or of the capital assets (except ordinary obsolescence of plant and machinery). The net earnings in this connection to be certified (at the expense of the company) by auditors approved by the British Treasury, who shall be provided by the Company with all the information and facilities they require.

(a) to be kept in a Special Bank Account the £94,500 as specified in (1) above;

(b) in the fourth, fifth, sixth and seventh years after the company is formed, to pay into the Special Joint Banking Account -

(1) a levy of 6/3d per ton on all output;

(2) such further sum out of the net earnings of the company (arrived at for this purpose in the manner described in (4) below) as may be required, after allowing for the levy paid under (1) above, to provide for the interest on advances for that year and to repay any advances previously made under the guarantee;

Note: - If the levy exceeds the interest, such excess is to be left in the Special Banking Account as a reserve for future years, or utilized in repayment of advances previously made under the guarantee.

The sums paid into the Special Banking Account as in (b) above to be utilized in meeting the guaranteed interest or in repayment of advances already made in respect of the guarantee.

(4) For the purpose of calculating the sum payable into the Joint Account under (3)(b)(ii) the net earnings of the Company to be arrived at, after making appropriate provision for depreciation (not exceeding in the case of fixed plant and machinery 7 1/2% on original cost) and after charging (i) the levy referred to in (3)(b)(i) above and (2) interest on advances under the guarantee, but before making any appropriations to general or free reserves, and before charging British Income Tax and Debenture interest on Sinking Fund, and before debiting or crediting any losses or profits arising on the purchase and/or sale of investments or of the capital assets (except ordinary depreciable plant and machinery). The net earnings in this connection to be certified (at the expense of the company) by auditors approved by the British Treasury, who shall be provided by the Company with all the information and facilities they require.

(2) Any sums found by the British Government in respect of its guarantee to be treated as advances to the company, bearing interest (until repaid) at 4% per annum, and to be secured on the sums paid into the Special Joint Account (as in (1) above) and by a charge on the company's undertaking, ranking after the First Debentures.

Such advances to be repaid by the Company within a period of 15 years (or earlier at the option of the company) by equal annual instalments, the first instalment being payable at the end of the 8th year.

(5) No dividend on its Ordinary Shares to be declared by the Company so long as any advances under the guarantee are outstanding. No sum to be due by the Government under the guarantee so long as the company carries forward undistributed profits, either on its Profit and Loss Account or in reserve. If, in this paragraph, interest on Debentures during the construction period is to be chargeable to Capital and no charge is to be made on its profits for Debenture redemption).

(7) The £700,000 Debentures to bear interest 2½% until not exceeding 4½% per annum, redemption of the Debentures not to commence earlier than 10 years after the issue thereof to the Public.

(8) The auditor referred to in (4) above shall certify to the Government as to the correctness of the sums paid by the Company to that Government in respect of royalty, and that Government's share of 7½% of the net profit of the company (free of British Income Tax), such share of profits to be calculated upon the net earnings of the company arrived at after making appropriate provision for depreciation and British Income Tax and

(5) Any sums found by the British Government in respect of its production to be granted as advances to the company, bearing interest (until repaid) at 4% per annum, and to be accounted on the sums paid into the Special Joint Account (as in (3) above) and by a charge on the company's undertaking, ranking after the First Debentures.

Such advances to be repaid by the company within a period of 25 years (or earlier at the option of the company) by equal annual instalments, the first instalment being payable at the end of the 6th year.

(6) No dividend on its Ordinary Shares to be declared by the Company so long as any advances under the guarantee are outstanding. No sum to be due by the Government under the guarantee so long as the company carries forward undistributed profits, either on its Profit and Loss Account or in reserve. If for this purpose interest on Debentures during the construction period is to be chargeable to Capital and no charge is to be made for the profits for Debenture redemptions.

(7) The 2700,000 Debentures to bear interest at a rate not exceeding 4% per annum, redemption of the Debentures not to commence earlier than 10 years after the issue thereof to the Public.

(8) The auditors referred to in (4) above shall certify to the ~~Board~~ Government as to the correctness of the sums paid by the Company to that Government in respect of royalty, and that Government's share of 7% of the net profit of the company (free of British Income Tax), such share of profits to be calculated upon the net earnings of the company arrived at after making appropriate provision for depreciation and British Income Tax and

after charging (1) Debenture Interest and Debenture Sinking Fund (provided that the Sinking Fund charge be debited by the company to Revenue in its annual accounts); (2) Interest on (but not repayment of principal) the advances under the guarantee, but before making any appropriations to general or free reserves, and before debiting or crediting any losses or profits arising on the purchase and sale of investments or other capital assets (except obsolescence of plant and machinery.)

(9) The Company's prospectus to be approved by the Secretary of State before publication.

(10) The Board of Directors to be approved by the Secretary of State, and any changes in the original Board during the first seven years, so long as there are any outstanding advances from the Treasury.

(11) Arrangements, satisfactory to the Secretary of State, to be made, providing for the subscription in full of the £500,000 Ordinary Shares and £700,000 debentures proposed to be issued by the Company.

(12) The Company to undertake not to manufacture either directly or indirectly paper or any other finished product of the pulp in East Africa without first obtaining the concurrence of H.M. Government.

(13) The Company to undertake that all plant and materials shall be obtained from Empire sources and shipped in British bottoms, unless a case to the contrary can be made out to the Secretary of State's satisfaction.

after charging (1) Debenture Interest and Debenture Sinking Fund (provided that the Sinking Fund charge is debited by the company to Revenue in its annual accounts); (2) Interest on (but not repayment of principal) the advances under the guarantee, but before making any appropriations to general or free reserves, and before debiting or crediting any losses or profits arising on the purchase and sale of investments or other capital assets (except obsolescence of plant and machinery.)

(9) The Company's prospectus to be approved by the Secretary of State before publication.

(10) The Board of Directors to be approved by the Secretary of State, and any changes in the original Board during the first seven years, so long as there are any outstanding advances from the Treasury.

(11) Arrangements, satisfactory to the Secretary of State, to be made, providing for the subscription in full of the 2,000,000 Ordinary Shares and £7,000,000 debentures proposed to be issued by the Company.

(12) The Company to undertake not to manufacture either directly or indirectly paper or any other finished product of the pulp in East Africa without first obtaining the concurrence of H.M. Government.

(13) The Company to undertake that all plant and materials shall be obtained from Empire sources and shipped in British bottoms, unless a waiver to the contrary can be made out to the Secretary of State's satisfaction.

KENYA FULL SCHEME

Estimated Costs and Income on
Output of 25,000 tons for the
Third Year and on Output of
66,600 tons for the Fourth Year
of the Company's Existence.

	3rd. year.	4th. year.
Output	25,000 tons.	66,600 tons.
European Staff	£20,000	£25,000
Bamboo	50,000	100,000
Coal	85,000	140,000
Salt	33,000	70,000
Oils etc.	2,500	4,000
Graphite, etc.	7,000	7,000
Maintenance and Depreciation	20,000	40,000
Royalty	-	1,700
Process Royalty	1,000	3,300
	318,500	391,000
Freight on Palm	10,000	27,000
Port charges	4,000	10,000
Ocean Freight	22,000	58,000
Brokers Commission	3,000	9,000
Insurance	1,000	2,000
Agents charges	600	1,700
London Office Expenses	259,100	498,700
	8,000	8,000
25,000 tons at 30,500 per ton	267,100	506,700
	831,250	616,050
Loss	35,850	Profit 109,350
Debtors Interest	31,500	31,500
	Loss 67,350	Profit 77,850

Mr. Hall Caine pressed that the Company should not be required to raise at its outset sufficient capital to provide for the interest on the Debentures for three years, but that interest should be so provided for two years only. If this was agreed, the Company need only raise ordinary Share Capital £750,000 instead of £800,000. On its part, the Company would agree to pay into the Debenture Redemption Fund -

- (1) The levy as from the beginning of the third year, which, on an output of 25,000 tons for that year would produce £7,850.
- (2) £5,500 per annum to redeem £100,000 at the end of 15 years, such payment to commence with the year One.

This would mean that at the end of the third year, assuming the output of 25,000 tons in that year was realised, there would have been paid into the Debenture Redemption Fund £24,350 (being levy £7,850 plus £5,500 x 3).

In justification of the reduced amount of Share Capital of £750,000, Mr. Hall Caine stated that he was fully satisfied that the original estimate of working capital of £234,000 was over-estimated by at least £25,000. In the proposals first submitted, the Share Capital was placed at £700,000, and the suggestion of the Committee was that it should be raised to £800,000, in order to cover interest on the Debentures for 3 years.

To the original Share Capital figure of £700,000 there would be added, if 2 years' interest instead of 3 years' interest is to be found, by the original issue of capital -

2 years' interest on Debentures of £31,500 per annum	<u>£63,000</u>	
Forward	£63,000	<u>£700,000</u>

Mr. Hall Cairne pressed that the Company should not be required to raise at its outset sufficient capital to provide for the interest on the debentures for three years, but that interest should be so provided for two years only. If this was agreed, the Company need only raise in Ordinary Share Capital £750,000 instead of £800,000. In its next, the Company would agree to pay into the Debenture Redemption Fund -

- (1) The levy as from the beginning of the third year, which, on an output of 25,000 tons for that year would produce £7,850.
- (2) £5,500 per annum to redeem £110,000 at the end of 15 years, such payment to commence with the year one.

This would mean that at the end of the third year, assuming the output of 25,000 tons in that year was realized, there would have been paid into the Debenture Redemption Fund £24,350 (being levy £7,850 plus £5,500 x 3).

In justification of the reduced amount of Share Capital of £750,000, Mr. Hall Cairne stated that he was fully satisfied that the original estimate of working capital of £234,000 was over-estimated by at least £25,000. In the proposals first submitted, the Share Capital was placed at £775,000, and the suggestion of the Committee was that it should be raised to £800,000, in order to cover interest on the debentures for 3 years.

To the original Share Capital figure of £750,000 there would be added, if 2 years' interest instead of 3 years' interest is to be found, by the original issue of capital -

2 years' interest on Debentures of £31,500 per annum	<u>£63,000</u>	
Forward	£63,000	£700,000

	Forward	255,000	2700,000
2 years' premium to the Redemption Fund of £3,500 per annum		<u>11,000</u>	
<u>Deduct:-</u> Overestimate of Working Capital		74,000	
		<u>25,000</u>	
			<u>49,000</u>
			<u>2749,000</u>

An issue of £750,000 of Share Capital should, in Mr. Hall Caine's opinion greatly improve the prospects of being able to place that capital. Both he and Colonel Jervis are satisfied that the promoters, contractors and others will take up in shares ... 2400,000

Mr. Hall Caine is also confident that he can induce the Vendor (Mr. Udall) to accept for his commission payment entirely in shares (instead of £10,000 thereof being paid in cash) ... 270,000

and that the licensees will also accept payment wholly in shares ... 25,000

95,000
2495,000

If £500,000 of the Company's Share Capital can be so placed, it would leave only £250,000 for issue to the public, together with the £700,000 of Debentures.

CONF

D 48

27th November, 1934.

BRITISH BANK AFRICAN TRUST COMPANY LIMITED.

Memorandum of interview between Mr. Lever, General Secretary, Prudential Assurance Co., Limited, Colonial Loanhart-Ferrie and Mr. Hall Gains.

Mr. Lever who had had papers with regard to the projected capital issue in his hands for some days, and had also had before him the suggested terms of the Government guarantee of £700,000 First Mortgage Debentures issue, gave his personal but considered opinion regarding the form in which he thought the Government guarantee should take, having regard to its effectiveness on the Mortgage debentures and its reaction if any on the possible subscriptions to the Ordinary Share Capital. He started by saying that he was only criticising the proposed capital position and was taking for granted for the moment the objects of the Company. The first point he made was to ask the degree of seriousness and sincerity with which the Government wished to assist the undertaking, because upon the answer, naturally, depended the measure of support they would give.

Taking the assistance to be given as between £0% and more he qualified 100% as a definite grant non-returnable of a substantial sum equivalent to the interest on the debentures for seven years, and as more a proposition which would be supported any advance called for from the Government as to practically make the Government's risk nil, or at least negligible.

An examination of the proposal before him left on his mind the impression that the Government were not prepared to do very much to help the project, indeed, quite candidly, he thought that if the present proposals were put into execution, they might injure the Company in its efforts to raise the whole of its capital rather than assist it, by placing a charge for any sums they

advanced upon the Company in such a manner as would make the chances of the Ordinary shares receiving a dividend within a reasonable time somewhat obscure. He, therefore, gave as his opinion that from his experience the proposed method of guarantee; while not materially helping to raise the Debenture money, would be a serious deterrent to the raising of the Ordinary share capital - in fact, make it practically impossible. He said if there was any sincerity in the Government's desire to help the project, it could never be achieved by the present scheme. Assuming for the moment that the LCC suggestion was not feasible, he made alternative suggestions:-

The first was that the capital of the Company should be £7,000,000 of Ordinary shares together with a first mortgage debenture of £700,000 at 4½%, that the first two years' interest on these debentures during the period of construction should be met out of the debenture money and that, assuming the Government guarantee was for seven years only, if in the next five years a shortage occurred this should be met by the Government who should be given for any sums advanced to the Company for this purpose a 5% Redeemable Preference share or a deferred share to rank with the Ordinary shares. Interest on the preference shares should not be cumulative in case of the default of the Company.

As a variation he suggested that the Government might be given for any sums they were called upon to pay a second Debenture at, say, 5 - 5½%, and in this case the Company should be entitled, when it had made profits sufficient to pay its own interest and service on the first and second debentures, to distribute such proportion of the profits as it deemed advisable among its Ordinary shareholders.

Another suggestion which seemed a fair one to him was that the same procedure should be adopted as in the first proposal, namely, the capitalisation at 27% of ordinary shares and 170,000 first cost new shares at 4% interest for the first ten years to be taken out of the venture money and that any money that might be called for from the Government during the successive five years should be treated as a loan to the company which should be re-payable to the Government over a period so long as to make the load upon the company as light as possible but, in the meantime it should be allowed the company to pay a dividend on its ordinary shares up to, say, 5% so long as any amount was owing to the Government, but it should be within the option of the company to discharge its liability to the Government when called for, when, of course, it would be liable to pay its profits as it thought fit.

Mr. Lever kindly expressed his willingness to assist in the solution of the problem which was before everybody, but insisted that the whole question depended upon in what measure the Government was sincerely anxious to help the project forward. Fundamentally Mr. Lever was interested in the scheme and was prepared to assist by meeting the Committee.

48

Another suggestion which seemed a fair one to him was that the same procedure should be adopted as in the first proposal, namely, the capitalisation at £70,000 Ordinary Shares and £700,000 First Mortgage Debentures at 4½% interest for the first two years to be taken out of the Debenture money and that any money that might be called for from the Government during the succeeding five years should be treated as a loan to the Company which should be re-payable to the Government over a long period so as to make the load upon the Company as light as possible but, in the meantime it should be open to the Company to pay a dividend on its Ordinary Shares up to, say, 5% so long as any amount was going to the Government, but it should be within the option of the Company to discharge all liability to the Government at an earlier date, when, of course, it would be free to dispose of its profits as it thought fit.

Mr. Lever kindly expressed his willingness to assist in the solution of the problem which was before everybody, but insisted that the whole question depended upon in what measure the Government was sincerely anxious to help the project forward. Fundamentally Mr. Lever was interested in the scheme and was prepared to assist by meeting the Committee.

Telephone, with call, 1034.

457 916

12, Waterloo Place.

100, Regent Street,

London, S.W. 1.

GRHC/CH.

29th November, 1934.

L. R. Freeston, Esq.,
Colonial Office,
Downing Street, S.W. 1.

Dear Mr. Freeston,

British East African Pulp Company.

I understand from Colonel Jervis that you would like
to have ^a brief summary of the suggestions I made to you and
Mr. Rae Smith at our joint meeting some weeks ago. I, there-
fore, have pleasure in enclosing a memorandum of them here
with,

Believe me,

Yours sincerely,

G. R. Halliday

30

BRITISH EAST AFRICAN PULP COMPANY LIMITED.

£700,000 Government guaranteed Mortgage Debentures.

In addition to any other arrangements that may be made for the repayment to the Government of any sums they may be asked to advance under the above guarantee it is suggested that the Company should take out with a recognised insurance company a Sinking Fund Policy to redeem £100,000 in fifteen years the annual premium for which is estimated to be about £5,500 a year. These premiums should be paid by the Company beginning the first year of its incorporation and continue therefrom, and that the policy should be vested in Trustees as a security for repayment of any sums called upon by the Company from the Government. In addition to this provision it is further suggested that out of every ton of pulp sold a levy of 6/3d per ton should be charged and such monies as are derived from this levy should be put into a special account in the joint names of the representative of the Government and the Company and utilised, so far as they will go, towards payment each year of the debenture interest on the First Mortgage Debentures. This fund would commence in the third year of the Company's existence, or so soon as the Company started to produce and sell its pulp.

G. R. Hall

C.O.

31

- Mr.
- Mr.
- Mr. Parkinson.
- Sir G. Tomlinson.
- Sir C. Bottomley.
- Sir J. Shuckburgh
- Permt. U.S. of S.
- Parly. U.S. of S.
- Secretary of State.

Kenya

4th form

Confidential

29 NOV 1934

DRAFT.

E. b. b. Speed Esq
 [Treasury Chamber]

Dear Speed
Kenya Bamboo Pulp
Pills

The Sub-Committee
 (Sir b. Blakett and Mr.
 Rae Smith) of the
 C.O. will be glad
 of an opportunity for
 informal discussion with
 the Treasury
 regard to the terms
 which ~~should be~~ ^{should be} ~~accepted~~
 formulated incorporated
 in their recommendations.
 Tuesday next at 11.00
 in the C.O. Conference

With me esp.

FURTHER ACTION.

C. O.

Mr. *Speed*

Mr.

Mr.

Mr. Parkinson

Sir G. Tomlinson

Sir C. Bottomley

Sir J. Shuckburgh

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

Kerry

4th form

Confidential

29 NOV 1954

DRAFT.

*E. b. Speed Esq
(Treasury Chamber)*

Dear Speed

*Kerry Bamboo Pulp
Mills*

The Sub-Committee
(Sir B. Blackett and Mr.
Rae Smith) of the
C.O.A. will be glad
of an opportunity for
informal discussion with

the Treasury on
regard to the ^{terms}
which ~~are to be adopted~~
shall be
~~formulated~~ incorporated
in their recommendations.

Tuesday next at 11.30
in the C. O. Conference

*With
me CAP.*

FURTHER ACTION.

Room ~~by the~~ ^{of} ~~the~~ ^{the} ~~meeting~~ ^{meeting}
submitted a paper for the meeting.

I enclose a copy of
two memoranda which will

form the basis of the discussion.
The first (marked A) is largely
the work of L. Rae Smith; the
second (B) was ^{subsequently} prepared by Dr.
Hall-Caine, M.P., who has
now agreed to be Chairman
of the proposed Company.

Yours sincerely

(Signed) L. B. FREESTON

52 11/34

HITCHINS, JERVIS & PARTNERS.

CHARTERED CONSULTING ENGINEERS.

CHARLES F. HITCHINS, O.B.E., M.I.C.E., F.R.I.C.E.
R.C. LOCKHART JERVIS, O.B.E., F.I.C.E., F.I.M.E.C.E., F.I.E.E.
L.O. SWINBURTON RYER, A.M.E.S.T.E.

TELEPHONE WHITEHALL 4110 (2 Lines)
TELEGRAMS: JERVINA, LONDON
CODES: A.B.C. 5th EDITION, BENTLEY'S AND PRIVATE.

*Hallam House,
& Central Buildings,
Westminster,
London, S.W.1.*

J/C

29th November, 1934

L. B. Freeston, Esq.,
Colonial Office,
Downing Street, S.W.1.

Dear Mr. Freeston,

British East African Pulp Mills Scheme

At your request I am enclosing herewith three copies of each of the following:-

- A. 1. Mr. Rse Smith's Memorandum.
- B. 2. A Memorandum drawn up by Mr. Hall-Caine and myself on our interview with Mr. Lever on 27th November

I have asked Mr. Hall-Caine to send you this afternoon his own notes on the subject of -

The scheme for levying a charge on the business of 6s. 3d. per ton of Pulp plus so much per ton of Pulp to pay the premium on a Policy for £100,000 per annum amounting to £5,500 p.a. to cover a contingent liability by the Company in the event of a failure to meet the Capital Redemption at due date.

I hope you will find this in order.

Yours sincerely,

[Handwritten Signature]

3 Enclosures

At. of copies to E. B. B. Shedd - 29 Nov. 34

1000
(1A)

KENYA PULP SCHEME.

Note on proposed guarantee of Interest
on £700,000 debentures to be issued by
British East African Pulp Mills Ltd.

(1) An additional sum to be raised by the Company on its formation by the issue of Ordinary Shares sufficient to cover interest on the Debentures for the first three years, namely, a maximum sum of £94,500 (£31,500 per annum x 3).

This will mean that the Ordinary Share issue will be about £900,000 instead of the £700,000 originally proposed.

Note:- In the first year the interest payable will probably be less than £31,500, depending upon the dates on which the Debentures are called up.

The additional sum of £94,500 so raised to be placed on deposit in the joint names of the British Treasury and the Company, and to be released for the payment of Debenture interest as and when such interest is due, or for such other purposes as the Treasury may approve.

Note:- The Company to take power to charge to Capital Interest on Debentures during the construction period.

(2) The British Government to guarantee due payment of the interest (at a rate not exceeding 4%) on the £700,000 Debentures for a period of seven years, dating from the date of the allotment of the Company's debenture stock for £700,000.

In securing for the foregoing guarantee, the Company

(a) to lodge in a Special Bank Account the £94,500 as specified in (1) above;

(b) in the fourth, fifth, sixth and seventh years after the Company is formed, to pay into the Special Joint Banking Account

(i) a levy of 4/3d. per ton on all pulp sold;

54

(11) such further sum out of the net earnings of the Company (arrived at for this purpose in the manner described in (6) below) as may be required, after allowing for the levy paid under (1) above, to provide for the Debenture Interest for that year and to repay any advances previously made under the guarantee.

Note: If the levy exceeds the Debenture Interest, such excess is to be left in the Special Banking Account as a reserve for future years, or utilized in repayment of advances previously made under the guarantee.

The sums paid into the Special Banking Account as in (b) above to be utilized in meeting the guaranteed interest or in repayment of advances already made in respect of the guarantee.

(4) For the purpose of calculating the sum payable into the Joint Account under 5 (b) (ii) the nett earnings of the Company to be arrived at, after making appropriate provision for depreciation (not exceeding in the case of fixed plant and machinery 7½% on original cost) and after charging (1) the levy referred to in (3) (a) (i) above and (2) interest on advances under the guarantee, but before making any appropriations to general or free reserves, and before charging British Income Tax and Debenture Interest or Sinking Fund, and before debiting or crediting any losses or profits arising on the purchase and/or sale of investments or of the capital assets (except ordinary obsolescence of plant and machinery). The nett earnings in this connection to be certified (at the expense of the Company) by auditors approved by the British Treasury, who shall be provided by the Company with all the information and facilities they require.

(5) Any sums found by the British Government in respect of its guarantee to be treated as advances to the Company, bearing interest (until repaid) at 4½% per annum, and to be secured on the sums paid into the Special Joint Account (as in (3) above) and by a charge on the Company's undertaking, ranking after the first debentures.

55

-3-

Such advances to be repaid by the Company within a period of 15 years (or earlier at the option of the Company) by equal annual instalments, the first instalment being payable at the end of the 5th year.

(6) No dividend on its Ordinary Shares to be declared by the Company so long as any advances under the guarantee are outstanding. No sum to be due by the Government under the guarantee so long as the Company carries forward undistributed profits, either on its Profit & Loss Account or in reserve. (For this purpose Interest on Debentures during the construction period is to be chargeable to Capital and no charge is to be made against profits for Debenture redemption.)

(7) The £700,000 Debentures to bear interest at a rate not exceeding 4½% per annum, redemption of the Debentures not to commence earlier than 10 years after the issue thereof to the public.

(8) The auditors referred to in (4) above shall certify to the Kenya Government as to the correctness of the sums paid by the Company to that Government in respect of royalty, and that Government's share of 7½% of the net profit of the Company (free of British Income Tax), such share of profit to be calculated upon the net earnings of the Company arrived at after making appropriate provision for depreciation and British Income Tax and after charging (1) Debenture Interest and Debenture Sinking Fund (provided that the Sinking Fund charge is debited by the Company to Revenue in its annual accounts) (2) Interest on (but not repayment of principal) the advances under the guarantee, but before making any appropriations to general or fixed reserves, and before debiting or crediting any losses or profits arising on the purchase and sale of investments or other capital assets (except obsolescence of plant and machinery).

(9) The Company's prospectus to be approved by the Secretary of State before publication.

(10) The Board of Directors and any ~~_____~~ on the original deed to be approved by the Secretary of State during the first three years, or such as there may be, after the issue of the

5th Schedule

(11) Arrangements, satisfactory to the Secretary of State, to be made, providing for the subscription in full of the 2000,000 Ordinary Shares and £700,000 Debentures proposed to be issued by the Company.

(12) The Company to undertake not to manufacture, either directly or indirectly, paper or any other finished product of the pulp in East Africa without first obtaining the concurrence of H.M. Government.

(13) The Company to undertake that all plant and materials shall be obtained from Empire sources and shipped in British bottoms, unless a case to the contrary can be made out to the Secretary of State's satisfaction.

57
29th November, 1934

BRITISH EAST AFRICAN PULP COMPANY LIMITED

Memorandum of interview between Mr. Lever,
General Secretary, Prudential Assurance Co.
Limited, Colonel Lockhart-Jervis and Mr.
Hall-Jaine.

Mr. Lever who had had papers with regard to the projected capital issue in his hands for some days, and had also had before him the suggested terms of the Government guarantee of £700,000 First Mortgage Debenture issue, gave his personal but considered opinion regarding the form in which he thought the Government guarantee should take having regard to its effectiveness on the Mortgage Debentures and its reaction if any on the possible subscriptions to the Ordinary Share Capital. He started by saying that he was only criticising the proposed capital position and was taking for granted for the moment the objects of the Company. The first point he made was to ask the degree of seriousness and sincerity with which the Government wished to assist the undertaking, because upon the answer, naturally, depended the measure of support they would give.

Taking the assistance to be given as between 100% and zero he qualified 100% as a definite grant non-returnable of a substantial sum equivalent to the interest on the Debentures for seven years, and as zero a proposition which would so safeguard any advances called for from the Government as to practically make the Government's risk nil, or at least negligible.

In examination of the proposal before him left on his mind the impression that the Government were not prepared to do very much to help the project, indeed, quite candidly, he thought that if the present proposals were put into execution they might injure the Company in its efforts to raise the whole of its capital rather than assist it by placing a charge for any sums they advanced upon the Company in such a manner as would make the chances of the Ordinary Share receive a dividend (within a reasonable time somewhat) less. He, therefore, gave his opinion that from his experience the proposed method of guarantee while not materially helping

to raise the Debenture money would be a serious deterrent to the raising of the Ordinary Share capital - in fact, make it practically impossible. He said if there was any sincerity in the Government's desire to help the project it could never be achieved by the present scheme.

Assuming for the moment that the 100% suggestion was not feasible he made alternative suggestions:-

The first was that the capital of the Company should be £700,000 of Ordinary Shares together with a First Mortgage Debenture of £700,000 at 4½%, that the first two years interest on these Debentures during the period of construction should be met out of the Debenture money and that, assuming the Government guarantee was for seven years only, if in the next five years a shortage occurred this should be met by the Government who should be given for any sums advanced to the Company for this purpose a 5% Redeemable Preference Share or a Deferred Share to rank with the Ordinary Shares. Interest on the Preference Shares should not be cumulative in case of the default of the Company.

As a variation he suggested that the Government might be given for any sums they were called upon to pay a Second Debenture at, say, 5 - 5½%, and in this case the Company should be entitled when it had made profits sufficient to pay its own interest and service on the First and Second Debentures to distribute such proportion of the profits as it deemed advisable among its Ordinary Shareholders.

Another suggestion which seemed a fair one to him was that the same procedure should be adopted as in the first proposal, namely the capitalisation at £700,000 Ordinary Shares and £700,000 First Mortgage Debentures at 4½%; interest for the first two years to be taken out of the Debenture money and that any money that might be called for from the Govern-

ment during the succeeding five years should be treated as a loan to the Company which should be repayable to the Government over a long period so as to make the load upon the Company as light as possible, but, in the meantime it should be open to the Company to pay a dividend on its Ordinary Shares up to, say, 5% so long as any amount was owing to the Government, but it should be within the option of the Company to discharge all liability to the Government at an earlier date when, of course, it would be free to dispose of its profits as it thought fit.

Mr. Lever kindly expressed his willingness to assist in the solution of the problem which was before everybody, but insisted that the whole question depended upon in what measure the Government was sincerely anxious to help the project forward. Fundamentally Mr. Lever was interested in the scheme and was prepared to assist by meeting the Committee.

27th November, 1934. 60

BRITISH EAST AFRICAN PULP COMPANY LIMITED.

Memorandum of interview between Mr. Lever,
General Secretary, Prudential Assurance Co.,
Limited, Colonial Leishart-Jervis and Mr. Hall
Gains,
- - - - -

Mr. Lever who had had papers with regard to the projected capital issue in his hands for some days, and had also had before him the suggested terms of the Government guarantee of £700,000 First Mortgage Debentures issue, gave his personal but considered opinion regarding the form in which he thought the Government guarantee should take having regard to its effectiveness on the Mortgage Debentures and its reaction if any on the possible subscriptions to the Ordinary Share Capital. He started by saying that he was only criticising the proposed capital position and was taking for granted for the moment the objects of the Company. The first point he made was to ask the degree of seriousness and sincerity with which the Government wished to assist the undertaking, because upon the answer, naturally, depended the measure of support they would give.

Taking the assistance to be given as between 100% and zero he qualified 100% as a definite grant non-returnable of a substantial sum equivalent to the interest on the Debentures for seven years, and as zero a proposition which would be safeguard any advance called for from the Government as to practically make the Government's risk nil, or at least negligible.

An examination of the proposal before him left on his

mind the impression that the Government were not prepared to do very much to help the project, indeed, quite candidly, he thought that if the present proposals were put into execution they might injure the Company in its efforts to raise the whole of its capital rather than assist it by placing a charge for any sums they advanced upon the Company in such a manner as would make the chances of the Ordinary Shares receiving a dividend within a reasonable time somewhat obscure. He, therefore, gave as his opinion that from his experience the proposed method of guarantee while not materially helping to raise the Debenture money would be a serious deterrent to the raising of the Ordinary Share capital - in fact, make it practically impossible. He said if there was any sincerity in the Government's desire to help the project it could never be achieved by the present scheme.

Assuming for the moment that the 100% suggestion was not feasible he made alternative suggestions:-

The first was that the capital of the Company should be £700,000 of Ordinary Shares together with a First Mortgage Debenture of £700,000 at 4%, that the first two years' interest on these Debentures during the period of construction should be met out of the Debenture money and that, assuming the Government guarantee was for seven years only, if in the next five years a shortage occurred this should be met by the Government who should be given for any sums advanced to the Company for this purpose a 4% Redeemable Preference Share or a Deferred Share to rank with the Ordinary Shares. Interest on the Preference

Shares should not be cumulative in case of the default of the Company.

As a variation be suggested that the Government might be given for any sums they were called upon to pay a Second Debenture at, say, 5 - 5½%, and in this case the Company should be entitled when it had made profits sufficient to pay its own interest and service on the First and Second Debentures to distribute such proportion of the profits as it deemed advisable among its Ordinary Shareholders.

Another suggestion which seemed a fair one to him was that the same procedure should be adopted as in the first proposal namely, the capitalisation at £700,000 Ordinary Shares and £700,000 First Mortgage Debentures at 4½% interest for the first two years to be taken out of the Debenture money and that any money that might be called for from the Government during the succeeding five years should be treated as a loan to the Company which should be re-payable to the Government over a long period so as to make the load upon the Company as light as possible, but, in the meantime it should be open to the Company to pay a dividend on its Ordinary Shares up to, say, 5% so long as any amount was owing to the Government, but it should be within the option of the Company to discharge all liability to the Government at an earlier date when, of course, it would be free to dispose of its profits as it thought fit.

Mr. Lever kindly expressed his willingness to assist in the solution of the problem which was before everybody, but insisted that the whole question depended upon in what measure the Government was sincerely anxious to help the project forward. Fundamentally Mr. Lever was interested in the scheme and was prepared to assist by meeting the Committee.

KENYA PULP SCHEME.

Note on proposed guarantee of interest on £700,000 debentures to be issued by British East Africa Pulp Mills Ltd.

(1) An additional sum to be raised by the Company on its formation by the issue of Ordinary Shares sufficient to cover interest on the Debentures for the first three years, namely, a maximum sum of £94,500 (£31,500 per annum x 3).

This will mean that the Ordinary Share issue will be about £800,000 instead of the £700,000 originally proposed.

Note:- In the first year the interest payable will probably be less than £31,500, depending upon the dates on which the Debentures are called up.

The additional sum of £94,500 so raised to be placed on deposit in the joint names of the British Treasury and the Company, and to be released for the payment of Debenture interest as and when such interest is due, or for such other purposes as the Treasury may approve.

Note:- The Company to take power to charge to Capital Interest on Debentures during the construction period.

(2) The British Government to guarantee due payment of the interest (at a rate not exceeding 4%) on the £700,000 Debentures for a period of seven years, dating from the date of the allotment of the Company's debenture stock for £700,000.

(3) As security for the foregoing guarantee, the Company is -

(a) to lodge in a Special Bank Account the £94,500 as specified in (1) above;

(b) in the fourth, fifth, sixth and seventh years after the Company is formed, to pay into the Special Joint Banking Account -

(i) a levy of 1/4d. per ~~ton~~ on all pulp sold;

(11) such further sum out of the net earnings of the Company (arrived at for this purpose in the manner described in (4) below) as may be required, after allowing for the levy paid under (1) above, to provide for the Debenture Interest for that year and to repay any advances previously made under the guarantee.

Note:- If the levy exceeds the Debenture Interest, such excess is to be left in the Special Banking Account as a Reserve for future years, or utilised in repayment of advances previously made under the guarantee.

The sums paid into the Special Banking Account as in (b) above to be utilised in meeting the guaranteed interest or in repayment of advances already made in respect of the guarantee.

(4) For the purpose of calculating the sum payable into the Joint Account under 3 (b) (11) the nett earnings of the Company to be arrived at, after making appropriate provision for depreciation (not exceeding in the case of fixed plant and machinery $7\frac{1}{2}\%$ on original cost) and after charging (1) the levy referred to 1a (3) (b) (1) above and (2) interest on advances under the guarantee, but before making any appropriations to general or free reserves, and before charging British Income Tax and Debenture Interest or Sinking Fund, and before debiting or crediting any losses or profits arising on the purchase and/or sale of investments or of the capital assets (except ordinary obsolescence of plant and machinery). The nett earnings in this connection to be certified (at the expense of the Company) by auditors approved by the British Treasury, who shall be provided by the Company with all the information and facilities they require.

(5) Any sums found by the British Government in respect of its guarantee to be treated as advances to the Company, bearing interest (until repaid) at $4\frac{1}{2}\%$ per annum, and to be assured on the sums paid into the Special Joint Account (as in (3) above) and by a charge on the Company's undertaking, ranking after the first debentures.

Such advances to be repaid by the Company within a period of 15 years (or earlier at the option of the Company) by equal annual instalments, the first instalment being payable at the end of the 8th year.

(6) No dividend on its Ordinary Shares to be declared by the Company so long as any advances under the guarantee are outstanding. No sum to be due by the Government under the guarantee so long as the Company carries forward undistributed profits, either on its Profit & Loss Account or in reserve.

(For this purpose interest on Debentures during the construction period is to be chargeable to Capital and no charge is to be made against profits for Debenture redemption.)

(7) The £700,000 Debentures to bear interest at a rate not exceeding 4½% per annum, redemption of the Debentures not to commence earlier than 10 years after the issue thereof to the Public.

(8) The auditors referred to in (4) above shall certify to the Kenya Government as to the correctness of the sums paid by the Company to that Government in respect of royalty, and that Government's share of 7½% of the nett profit of the Company (free of British Income Tax), such share of profit to be calculated upon the nett earnings of the Company arrived at after making appropriate provision for depreciation and British Income Tax and after charging (1) Debenture Interest and Debenture Sinking Fund (provided that the Sinking Fund charge is debited by the Company to Revenue in its annual accounts); (2) Interest on (but not repayment of principal) the advances under the guarantee, but before making any appropriations to general or free reserves, and before debiting or crediting any losses or profits arising on the purchase and sale of investments or other capital assets (except obsolescence of plant and machinery).

(9) The Company's prospectus to be approved by the Secretary of State before publication.

(10) The Board of Directors and any changes in the original board to be approved by the Secretary of State during the first

the Treasury.

(11) Arrangements, satisfactory to the Secretary of State, to be made, providing for the subscription in full of the £500,000 Ordinary Shares and £700,000 Debentures proposed to be issued by the Company.

(12) The Company to undertake not to manufacture, either directly or indirectly, paper or any other finished product of the pulp in East Africa without first obtaining the concurrence of H.M. Government.

(13) The Company to undertake that all plant and materials shall be obtained from Empire sources and shipped in British bottoms, unless a case to the contrary can be made out to the Secretary of State's satisfaction.

68
27th November, 1934

BRITISH EAST AFRICAN TRADING COMPANY LIMITED

Memorandum of interview between Mr. Lever,
General Secretary, Prudential Assurance Co.
Limited, Colonel Lockhart-Jacobs and Mr.
Hall-Caine.

Mr. Lever who had had papers with regard to the projected capital issue in his hands for some days, and had also had before him the suggested terms of the Government guarantee of £700,000 First Mortgage Debenture issue, gave his personal but considered opinion regarding the form in which he thought the Government guarantee should take having regard to its effectiveness on the Mortgage Debentures and its reaction if any on the possible subscriptions to the Ordinary Share Capital. He started by saying that he was only criticising the proposed capital position and was taking for granted for the moment the objects of the Company. The first point he made was to ask the degree of seriousness and sincerity with which the Government wished to assist the undertaking, because upon the answer, naturally, depended the measure of support they would give.

Taking the assistance to be given as between 100% and zero he qualified 100% as a definite grant non-returnable of a substantial sum equivalent to the interest on the Debentures for seven years, and as zero a proposition which would so safeguard any advance called for from the Government as to practically make the Government's risk nil, or at least negligible.

An examination of the proposal before him left on his mind the impression that the Government were not prepared to do very much to help the project, indeed, quite candidly, he thought that if the present proposals were put into execution they might injure the Company in its efforts to raise the whole of its capital rather than assist it by placing a charge for any sums they advanced upon the Company in such a manner as would make the chances of the Ordinary Shares receiving a dividend within a reasonable time somewhat obscure. He, therefore, gave as his opinion that from his experience the proposed method of guarantee while not materially helping

to raise the ~~£1,000,000~~ MONEY would be a serious deterrent to the raising of the Ordinary Share capital - in fact, make it practically impossible. He said if there was any sincerity in the Government's desire to help the project it could never be achieved by the present scheme.

Assuming for the moment that the 100% suggestion was not feasible he made alternative suggestions:-

The first was that the capital of the Company should be £700,000 of Ordinary Shares together with a First Mortgage Debenture of £700,000 at 4½%, that the first two years interest on these Debentures during the period of construction should be met out of the Debenture money and that, assuming the Government guarantee was for seven years only, if in the next five years a shortage occurred this should be met by the Government who should be given for any sum advanced to the Company for this purpose a 5% Redeemable Preference Share or a Deferred Share to rank with the Ordinary Shares. Interest on the Preference Shares should not be cumulative in case of the default of the Company.

As a variation he suggested that the Government might be given for any sum they were called upon to pay a Second Debenture at, say, 5 - 5½%, and in this case the Company should be entitled when it had made profits sufficient to pay its own interest and service on the First and Second Debentures to distribute such proportion of the profits as it deemed advisable among its Ordinary Shareholders.

Another suggestion which seemed a fair one to him was that the same procedure should be adopted as in the first proposal, namely the capitalisation at £700,000 Ordinary Shares and £700,000 First Mortgage Debentures at 4½%; interest for the first two years to be taken out of the Debenture money and that any money that might be called for from the Govern-

ment during the succeeding five years should be treated as a loan to the Company which should be repayable to the Government over a long period so as to make the load upon the Company as light as possible, but, in the meantime it should be open to the Company to pay a dividend on its Ordinary Shares up to, say, 5% so long as any amount was owing to the Government, but it should be within the option of the Company to discharge all liability to the Government at an earlier date when, of course, it would be free to dispose of its profits as it thought fit.

Mr. Laver kindly expressed his willingness to assist in the solution of the problem which was before everybody, but insisted that the whole question depended upon in what measure the Government was sincerely anxious to help the project forward. Fundamentally Mr. Laver was interested in the scheme and was prepared to assist by meeting the Committee.

ment during the succeeding five years should be treated as a loan to the Company which should be repayable to the Government over a long period so as to make the load upon the Company as light as possible, but, in the meantime it should be open to the Company to pay a dividend on its Ordinary Shares up to, say, 5% so long as any amount was owing to the Government, but it should be within the option of the Company to discharge all liability to the Government at an earlier date when, of course, it would be free to dispose of its profits as it thought fit.

Mr. Lever kindly expressed his willingness to assist in the solution of the problem which was before everybody, but insisted that the whole question depended upon in what measure the Government was sincerely anxious to help the project forward. Fundamentally Mr. Lever was interested in the scheme and was prepared to assist by meeting the Committee.

91 11.3

HITCHINS, JERVIS & PARTNERS,

CHARTERED CONSULTING ENGINEERS.

CHARLES F. HITCHINS, D.S.O., M.I.MECH.E., M.I.N.A.
B. C. LOOKHART-JERVIS, D.S.O., M. INST. C.E., M. I. MECH. E., M. I. E. E.
L. S. SWINNERTON DYER, A.M.I.MECH.E.

TELEPHONE: WHITEHALL 4116 (2 LINES)
TELEGRAMS: JERVINA, LONDON.
CODES: A.S.C. 5TH EDITION, BENTLEY & PRIVATE.

*Hallam House,
3. Central Buildings,
Westminster,
London, S.W.1.*

J/C

22nd November, 1934

L. B. Freeston, Esq.,
Colonial Office,
Downing Street, S. W. 1.

Dear Mr. Freeston,

Bamboo Pulp Samples

I am sending with this note samples of Bleached and Unbleached Pulp manufactured under the Pomilio Process at Naples by the Sindacato Cellulosa Pomilio.

The consignment of bamboo from which these were made was shipped by Mr. Gardner through Messrs Mitchell Cotts & Co. Ltd. to Naples. About two-thirds of this consignment was live bamboo cut by the Conservator of Forests, and one-third was dead or fallen bamboo approximately 4 to 5 years old, which we had specially treated in order to ascertain its fibrous and commercial value.

It appears that this latter bamboo has excellent fibre for pulp-making and can be utilised in the manufacture of paper.

Yours sincerely,

91 113

HITCHINS, JERVIS & PARTNERS,

CHARTERED CONSULTING ENGINEERS.

CHARLES F. HITCHINS, D.S.O., M.I.MECH. E.M.I.N.A.
S. C. LOCKHART-JERVIS, D.S.O., M.I.MECH. C.E., M.I.MECH. E.M.I.E.E.
L. S. SWINNERTON DYER, A.M.I.MECH. E.

TELEPHONE: WHITEHALL 4116 (2 LINES)
TELEGRAMS: JERVINA, LONDON.
CODES: R.S.C. BY POSTION, BENTLEY'S AND PRIVATE.

*Hallam House,
3, Central Buildings,
Westminster,
London, S.W.1.*

J/C

22nd November, 1934

L. B. Freeston, Esq.,
Colonial Office,
Downing Street, S.W. 1.

Dear Mr. Freeston,

Bamboo Pulp Samples

I am sending with this note samples of Bleached and Unbleached Pulp manufactured under the Pomilio Process at Naples by the Sindacato Cellulosa Pomilio.

The consignment of bamboo from which these were made was shipped by Mr. Gardner through Messrs Mitchell Cotts & Co. Ltd. to Naples. About two-thirds of this consignment was live bamboo cut by the Conservator of Forests, and one-third was dead or fallen bamboo approximately 4 to 5 years old, which we had specially treated in order to ascertain its fibrous and commercial value.

It appears that this latter bamboo has excellent fibre for pulp-making and can be utilised in the manufacture of paper.

Yours sincerely,

From

HITCHINS, JERVIS & PARTNERS.

3, Central Buildings, Westminster

London, S.W. 1.

BAMBOO PULP

from

KENYA COLONY, BRITISH EAST AFRICA.

SINDACATO CELLULOSA PULP LIG.

BLEACHED

(Chlorine Gas Process)

19.11.1934

From

HITCHINS, JERVIS & PARTNERS,

3, Central Buildings, Westminster,

London, S.W. 1.

BAMBOO PULP

from

KENYA COLONY, BRITISH EAST AFRICA.

SINDACATO CELLULOSA POMILIO

UNBLEACHED

(Chlorine Gas Process)

19.11.1934

112
74

22nd November, 1954.

Dear Sirs,

In reply to your letter of the 20th November regarding the proposals for establishing a paper pulp industry in Kenya, I think the best way for you to obtain further information regarding the scheme would be to apply to the Consulting Engineers who are advising the promoters. The Consulting Engineers are:-

Messrs. Hitchins, Jervis and Partners,

3, Central Buildings,

Westminster.

Yours faithfully,

(Sgd.) J. W. Williams.

MESSRS. THE RIO TINTO COMPANY, LIMITED.

AW/JDF.

LETTERS TO BE ADDRESSED TO THE
SECRETARY AND NOT TO INDIVIDUALS

TELEPHONE NO.

RIO TINTO, STOCK, LONDON.

MANHATTAN HOUSE
{ 5831
5832
5833

6TH EDITION A B C S LETTER
AND
BENTLEY'S SECOND

111
75
RIO TINTO COMPANY, LIMITED.

3, LOMBARD STREET.

LONDON, 20th November, 1934.
E.C.3

The Colonial Development Advisory Committee,
Colonial Office,
Downing Street,
LONDON, S.W.1.

Dear Sirs,

PAPER PULP INDUSTRY IN KENYA COLONY

We have noticed from the technical Press that there is a proposal to construct a wood pulp factory in Kenya Colony.

We are producers of pyrites and crude sulphur either of which is an essential raw material for the wood pulp industry, and we naturally desire to ascertain if there are any prospects of our doing business in Kenya. Would you therefore be good enough to let us have, for our confidential information, full particulars of the project and of the process it is intended to employ in the works.

Yours faithfully,

At: For THE RIO TINTO COMPANY LTD.

L. Robbins
Commercial Manager.

KENYA

23201/1934

A

.1.

-76

C O N F I D E N T I A L .

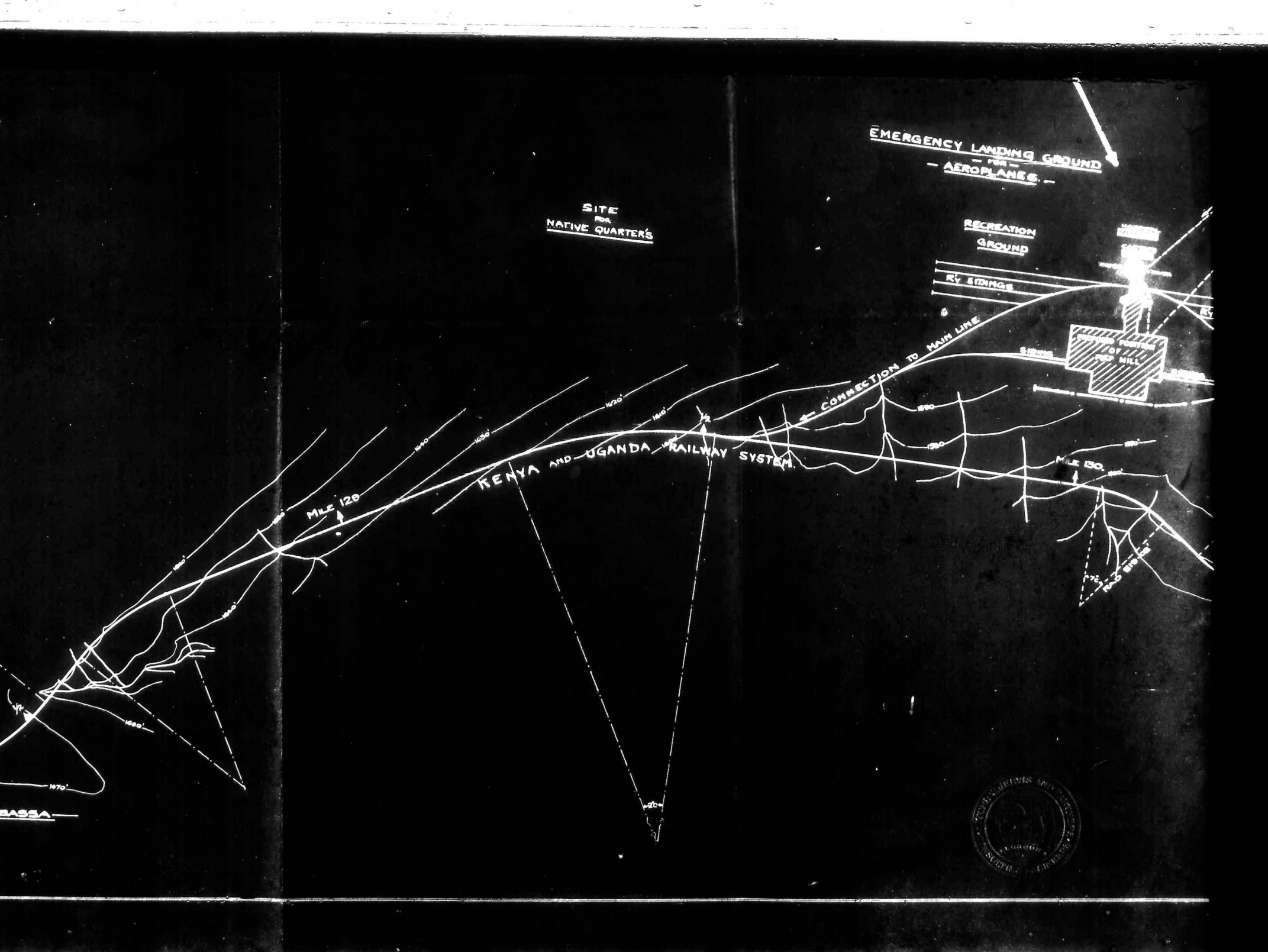

REPORT

ON

BRITISH EAST AFRICAN PULP MILLS SCHEME

BY

COLONEL B. C. LOCKHART-JERVIS, D.S.O.,
M.Inst.C.E., M.I.Mech.E., M.I.E.E.



SITE
FOR
NATIVE QUARTERS

EMERGENCY LANDING GROUND
- FOR -
AEROPLANES -

RECREATION
GROUND

RAIL
SIDINGS

CONNECTION TO MAIN LINE

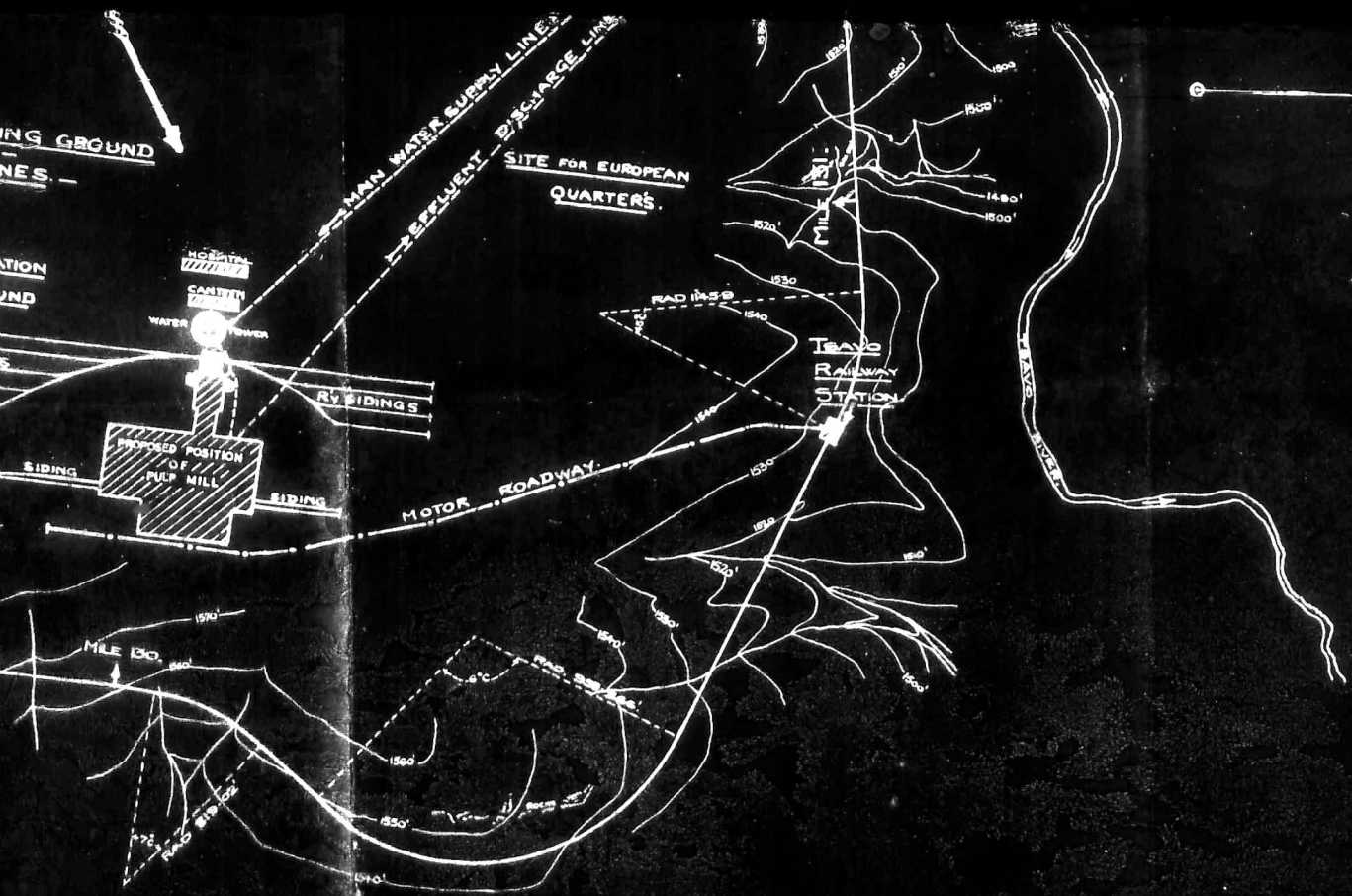
KENYA AND UGANDA RAILWAY SYSTEM

MILE 120

MILE 80



RASSA



POSITION OF THE BUILDING PLANT - TSAVO

SCALE

HITCHINGS
 CHARTER
 3 CENTRAL

DRAWN BY

This drawing is the property of HITCHINS JERVIS AND PARTNERS
and must not be sold, given, copied or shown to third parties
without the written consent of HITCHINS JERVIS AND PARTNERS.
ALL INFORMATION CONTAINED IN THIS DRAWING IS CONFIDENTIAL.

79

ALL COMMUNICATIONS TO BE ADDRESSED TO THE FIRM

HITCHINS, JERVIS & PARTNERS.

CHARTERED CIVIL, MECHANICAL, AND ELECTRICAL ENGINEERS

78

3, CENTRAL BUILDINGS,

WESTMINSTER, S W 1

BRITISH EAST AFRICAN PULP MILLS SCHEME

INDEX

to

REPORT.

<u>PAGES 1 to 3</u>	GENERAL
<u>PAGES 4 to 12</u>	BAMBOO FOREST
<u>PAGES 12 to 17</u>	LAND FOR FACTORY
<u>PAGES 17 to 19</u>	WATER SUPPLY
<u>PAGES 19 to 25</u>	K. & U.Rly. FREIGHT & PORT RATES
<u>PAGES 25 to 28</u>	FINAL SUMMARY
<u>PAGES 28 to 29</u>	RECOMMENDATIONS

DATE 3rd OCTOBER 1934.

HITCHINS, JERVIS & PARTNERS.

CHARTERED CIVIL, MECHANICAL AND ELECTRICAL ENGINEERS

CHARLES F. HITCHINS, C.E., M.I.Mech.E., M.A.S.E.

B.C. LOCKHART-JERVIS, D.S.O., M.I.Mech.E., M.I.E.E.

L. S. SWINNERTON DYER.

TELEPHONE:

WHITEHALL

4110

(2 LINES)

3, CENTRAL BUILDINGS,

WESTMINSTER,

LONDON, S.W.1.

R E P O R T .

ON

BRITISH EAST AFRICAN PULP MILLS SCHEME

BY

COLONEL B.C. LOCKHART-JERVIS, D.S.O.,
M.Inst.C.E., M.I.Mech.E., M.I.E.E.

TELEGRAMS

BY "VINA, LONDON

CODES

A & C 5th EDN

RENTISTS AND PRIVATE

YOUR REF

OUR REF. BEA/J/A

CONFIDENTIAL

During the week of July 15 - 21 a number of conferences were held at the Offices of the Consulting Engineers, Messrs. Hitchins, Jervis & Partners, 3 Central Buildings, Westminster, to the above scheme, from which arose the urgency of a visit to Kenya by someone authorised to negotiate with the Officials of the Kenya Government for:-

1. A larger Bamboo Concession than the present one held by Mr. Charles Udall;
2. A grant of land for the plant site at Tsavo;
3. A Water Permit on the Tsavo River; and
4. An improved railway freight rate on the Kenya & Uganda Railway for the main products involved in the manufacture of paper pulp.

It was, therefore, decided on Saturday, 21st July, after a meeting with Mr. Hall Caine, C.B.E., M.P. that Colonel Jervis should go to Kenya with Mr. Udall to attain the objects mentioned above, and that they should fly by Imperial Airways to Nairobi.

On Monday, 23rd July, Messrs. Mitchell Cotts & Co. Ltd., who had the transportation arrangements in hand secured two reservations on the 'plane for Wednesday, July 25th, arranging at the same time to return by 'plane from Nairobi on 31st August.

The journey was undertaken with the approval of Mr. Hall Caine, G.B.E., M.P. on behalf of the Secretary of State for the Colonies, as well as the parties interested in this scheme, viz., Mr. Charles Udall, the Concessionnaire, Messrs. Mitchell Cotts & Co.Ltd. of London and Nairobi, Mr. William Harrison, of Messrs. Harrison, Sugden & Co., Solicitors acting for Mr. C. Udall, and Messrs. Hitchins Jervis & Partners.

On arrival at Nairobi Mr. Hugh Hamilton, Director of Messrs. Mitchell Cotts & Co.Ltd., met us and accompanied us to the New Stanley Hotel where comfortable accommodation had been engaged for us. A conference immediately took place as to programme of work and procedure.

On Wednesday, 1st August, Mr. Udall and Colonel Jervis were granted an audience by H.E. the Governor of Kenya, General Sir Joseph A. Byrne, K.C.M.G., K.B.E., C.B., at Government House, Nairobi, at which interview Mr. H.L.G. Gurney, Assistant to the Colonial Secretary, was present.

H.E. extended to Colonel Jervis a welcome to Kenya, and said he had received a letter from the Secretary of State for the Colonies, London, as well as cables, advising him of our visit and the purport thereof. Furthermore, he had advised all the Departments concerned that they should give us every possible assistance to accomplish the objects of our visit. He also stated that he was only too anxious to do everything he could to help forward what was proposed, and that Colonel Jervis was to keep in touch with him and let him know if there was anything he could do to further this matter, especially if any controversial points arose which seemed difficult to solve and in which we needed his assistance.

At that interview he advised Colonel Jervis that he was leaving for Mombasa on the 12th of the month, but would like to see him again before he left, and hear how the negotiations were progressing.

From Colonel Jervis's conversations with the Governor it was obvious that there were four Departments with whom negotiations would be necessary to settle the main points to be discussed, and that we should have to meet the Chiefs of these Departments without delay, viz:-

H. Gardner, Conservator of Forests,
Forest Department,

H. S. Sykes, Director of the Public Works
Department;

- - - Logan, Director of Local Government
Lands and Settlements Department;

A. D. Hamp, Acting General Manager of the
Kenya and Uganda Railways.

The Governor informed Colonel Jervis that he had already advised the above Departments of his arrival, and had requested them to grant interviews without delay.

The results of our visit to Nairobi can be summarised under five headings, which combined to produce the agreement and the license from the Kenya Government, viz:-

1. The extension of Mr. Charles Udall's Concession to a larger one in order to meet the altered conditions of the larger pulp scheme.

2. The acquisition of a grant of land at Tsavo on which to build the Pulp Factory with the necessary Power Plant etc. as well as additional land for residential purposes to house the staff and personnel engaged in operating the plant.

3. A Permit to extract the required water supply from the Tsavo River for use in the proposed mill at Tsavo.

4. To obtain an economical railway freight rate for carrying the materials involved in the proposed scheme

5. Negotiations and discussions with H.E. and the Government officials on the subject matter forming the Agreement; also the object of the appointment of a Trustee to act for the Company until formation.

From Colonel Jervis's conversations with the Governor it was obvious that there were four Departments with whom negotiations would be necessary to settle the main points to be discussed, and that we should have to meet the Chiefs of these Departments without delay, viz:-

- H. Gardner, Conservator of Forests,
Forest Department,
- H. S. Sykes, Director of the Public Works
Department;
- - - Logan, Director of Local Government
Lands and Settlements Department;
- A. D. Hamp, Acting General Manager of the
Kenya and Uganda Railways.

The Governor informed Colonel Jervis that he had already advised the above Departments of his arrival, and had requested them to grant interviews without delay.

The results of our visit to Nairobi can be summarised under five headings, which combined to produce the agreement and the license from the Kenya Government, viz:-

1. The extension of Mr. Charles Udall's Concession to a larger one in order to meet the altered conditions of the larger pulp scheme.
2. The acquisition of a grant of land at Tsavo on which to build the Pulp Factory with the necessary Power Plant etc. as well as additional land for residential purposes to house the staff and personnel engaged in operating the plant.
3. A Permit to extract the required water supply from the Tsavo River for use in the proposed mill at Tsavo.
4. To obtain an economical railway freight rate for carrying the materials involved in the proposed scheme
5. Negotiations and discussions with H.E. and the Government officials on the subject matter forming the Agreement; also the object of the appointment of a Trustee to act for the Company until formation.

1.

BAMBOO

The first interview Colonel Jarvis had was with Mr. Gardner, the Conservator of Forests, upon whom he called with Mr. Udall. A very detailed discussion took place on the extent of Mr. Udall's present Bamboo Concession, its proximity to the Kenya & Uganda Railway, and its accessibility for handling the Bamboo either by ropeways or light railways.

Mr. Gardner stated that we must appreciate very clearly three points covering the Bamboo Area in Mr. Udall's Concession, which in his view were vital to the business, viz:-

(a) That large gaps occur in this Concession Area called glades, which are from 100 to 1000 acres in extent which have never been located, and therefore their full extent can only be approximately estimated; but they in fact reduce the actual area of Bamboo to be cut out in the Concession.

(b) That Bamboo flowers but once during its lifetime and after this takes place it dies. That it regenerates itself from the seeds that fall from the flowers, which grow as seedling Bamboo and take some years to come to maturity. That the life of Bamboo in Kenya is not definitely known, but it is somewhere between 25 and 50 years.

(c) That Bamboo when cut does not regenerate to its fullest extent, in Mr. Gardner's opinion this requires from 12 to 15 years; therefore, since the Udall Concession only covers 34,725 Bamboo acres, and we require 5,000 acres of Bamboo a year to meet the requirements of a mill of 100,000 tons of Bamboo pulp output per annum, Mr. Udall's concession would only meet say 7 years demand. He considered it imperative that we should require to considerably increase the extent of the Concession if we wished to be safe in regard to the required output of pulp from the mill at Tsavo. Consequently it was suggested to Mr. Gardner that a further 20,000 to 30,000 acres would be necessary to be at the disposal of the Scheme if the regeneration period of Bamboo was to be set at 12/15 years instead of 7 years as quoted by Mr.

1.

BAMBOO

The first interview Colonel Jervis had was with Mr. Gardner, the Conservator of Forests, upon whom he called with Mr. Udall. A very detailed discussion took place on the extent of Mr. Udall's present Bamboo Concession, its proximity to the Kenya & Uganda Railway, and its accessibility for handling the Bamboo either by ropeways or light railways.

Mr. Gardner stated that we must appreciate very clearly three points covering the Bamboo Area in Mr. Udall's Concession, which in his view were vital to the business, viz:-

(a) That large gaps occur in this Concession Area called glades, which are from 100 to 1000 acres in extent which have never been located, and therefore their full extent can only be approximately estimated; but they in fact reduce the actual area of Bamboo to be cut out in the Concession.

(b) That Bamboo flowers but once during its lifetime and after this takes place it dies. That it regenerates itself from the seeds that fall from the flowers, which grow as seedling Bamboo and take some years to come to maturity. That the life of Bamboo in Kenya is not definitely known, but it is somewhere between 25 and 50 years.

(c) That Bamboo when cut does not regenerate to its fullest extent, in Mr. Gardener's opinion this requires from 12 to 15 years; therefore, since the Udall Concession only covers 34,725 Bamboo acres, and we require 5,000 acres of Bamboo a year to meet the requirements of a mill of 100,000 tons of Bamboo pulp output per annum, Mr. Udall's concession would only meet say 7 years demand. He considered it imperative that we should require to considerably increase the extent of the Concession if we wished to be safe in regard to the required output of pulp from the Mill at Tsavo. Consequently it was suggested to Mr. Gardner that a further 30,000 to 40,000 acres would be necessary to be at the disposal of the Scheme if the regeneration period of Bamboo was to be set at 12/15 years instead of 7 years as quoted by Mr.

Raitt of Burmah.

On Friday, 3rd August, Mr. Udall, Mr. Gardner and Colonel Jervis visited the Bamboo Forest Concession by car. For the first twenty miles out of Nairobi the road is a first class main road passing through coffee estates or native reserve on which latter maize, bananas and nealies are grown. The road then rises gradually into forest land where wattle and blue gum are being grown in plantations by the Forestry Department for tanning bark and firewood respectively.

At railway mile 356 the road passes Uplands Station on the K.U.R. System which is situated on a plateau at 7,680' and approximately 31 miles from Nairobi. This station is built at the top of the grade from Nairobi and on the edge of the Escarpment on the east side of the Rift Valley. The drop here to Kijabe is approximately 2,000' and is 12 miles by rail, at an average grade of 2%. This grade is one of the points of contention with the railway department owing to the steep incline and uphaul from Kijabe to Uplands, which will necessitate their splitting the daily bamboo train from Kijabe to Tsavo to haul each half separately to Uplands, involving a double journey or 36 locomotive miles instead of 12.

At Uplands on the Nairobi side of Kijabe The Kenya Bacon Factory is situated beside the Railway Station. This Company owns most of the grazing land around the station, where sidings could be laid without any difficulty if this position could be used as the bamboo rail head.

From this point the road becomes a rough forest road rising all the time for a further 900', where it passes the Government saw mill situated on the Pací River, which flows due south to Uplands Station through the Forest Reserve and the Kiambu Native Reserve, but only contains about 3 gallons of water

per minute now.

From here the road rises steeply into the bamboo forest and where Mr. Udall's Concession commences, the southernmost point being opposite and adjacent to the most easterly point of the African Inland Mission. Here the Kikuyu Escarpment Forest Reserve commences, bounded on the north by the Aberdare Range, on the west by the Escarpment and Kinangop Plateau, and on the east by the Kiambu Native Reserve.

The grass road through the forest is a good motor road as far as it goes, which is only half way through the forest and on the extreme western edge, forming the boundary between the Concession and the Forest Reserve.

At Farm Plot 1310 the road leaves the forest and crosses the open Kinangop Plateau to the main road to Naivasha. A stop was made on the road where Mr. Gardner had a track cut through the Bamboo to some sections of Bamboo in the Forest Reserve outside Mr. Udall's Concession, on which he is experimenting with bamboo regeneration. There were 9 of these plots which had been -

1. Completely cut out;
2. Cut out and undergrowth burnt;
3. Cut out, leaving 5% of Bamboo for regeneration;
4. Cut out, leaving 10% of Bamboo for regeneration;
5. Cut out, leaving 25% of Bamboo for regeneration;

as well as other experiments with the Bamboo.

From what we saw, provided no unusual conditions prevail, it was obvious that 10% of stems left for regeneration after cutting out the rest of the Bamboo, would be the best method to assist future Bamboo re-growth.

Photographs were taken of these experimental sections, which are included in the photographic album herewith.

We then walked to a large glade of about 1,000 acres

in Mr. Udall's Concession, which Mr. Gardner said formed part of the Grass and Bush item he has deducted from the actual bamboo area. The glade sloped down from west to east and was covered with hummock grass, which in wet weather becomes a swamp, but was baked hard by the sun when we saw it. Looking down and across this glade we could see the Bamboo stretching away for about five miles. Mr. Gardner made a great point of these glades, stating that there were many more which had not actually been surveyed and which could only be, as already stated, estimated, and which form the item of 6694 acres in the Forestry Department's estimate to be deducted from the 46,667 acres forming the Udall Concession.

We motored as far as we could along the road in the Bamboo; a considerable amount of timber was seen to be growing amongst the Bamboo at the far end of the road, where Mr. Klein (a white hunter) starts his road into the Bamboo Forest to his Hut, in which we later stayed. These clumps of timber are estimated by the Forestry Department in the whole Concession at 5,250 acres.

WATER. There seemed to be very little water anywhere in the area but, as Mr. Gardner said, we were on the top western edge of the Bamboo Concession, and the water ridges slope from west to east down hill in ravines which commence at nothing and get steeper as they pass through the Bamboo into the Forest Reserve and finally into the Kiambu Native Reserve, gradually forming a network of ravines 15/20 miles to the east, most of which run from west to east; in other words the Water Shed dips eastward from the Escarpment.

The rivers in the Forest are the Chania River on the Northern boundary, the Kitikuya River half way through the Concession, running west to east and the Pasi and Katamayu Rivers flowing south.

in Mr. Udall's Concession, which Mr. Gardner said formed part of the Grass and Bush item he has deducted from the actual bamboo area. The glade sloped down from west to east and was covered with hummock grass, which in wet weather becomes a swamp, but was baked hard by the sun when we saw it. Looking down and across this glade we could see the Bamboo stretching away for about five miles. Mr. Gardner made a great point of these glades, stating that there were many more which had not actually been surveyed and which could only be, as already stated, estimated, and which form the item of 6694 acres in the Forestry Department's estimate to be deducted from the 46,667 acres forming the Udall Concession.

We motored as far as we could along the road in the Bamboo; a considerable amount of timber was seen to be growing amongst the Bamboo at the far end of the road, where Mr. Klein (a white hunter) starts his road into the Bamboo Forest to his Hut, in which we later stayed. These clumps of timber are estimated by the Forestry Department in the whole Concession at 5,250 acres.

WATER. There seemed to be very little water anywhere in the area but, as Mr. Gardner said, we were on the top western edge of the Bamboo Concession, and the water ridges slope from west to east down hill in ravines which commence at nothing and get steeper as they pass through the Bamboo into the Forest Reserve and finally into the Kiambu Native Reserve, gradually forming a network of ravines 15/20 miles to the east, most of which run from west to east; in other words the Water Shed dips eastward from the Escarpment.

The rivers in the Forest are the Chania River on the Northern boundary, the Kitikuya River half way through the Concession, running west to east and the Pasi and Katamayu Rivers flowing south.

We crossed the Kinangop Plateau where a considerable quantity of game such as Zebra, Kongoni, and various Antelope were noticed close to the main Naivasha road, which is approximately 8,700' above sea level, and runs along the edge of the Kikuyu Escarpment, and finally passes down it to the main Naivasha-Nairobi road, nearly 2000' down in the valley. The country here is bush with practically no large trees at all. Mount Longonot was seen in the middle of the Valley below.

The road from here back to Nairobi passes close to Kijabe, paralleling the railway for 20 miles. From the point where we met this road to Nairobi is 61 miles.

Kijabe is situated at the foot of the Escarpment about 900' above the main road on which we were travelling to Nairobi, and three miles away from it to the east.

The road is exceedingly good and has particular interest, inasmuch as one is actually travelling along the bed of the famous African Rift Valley, finally passing out of it up the steep face of the Escarpment on to the plateau beyond, and thus back to Nairobi.

Our trip that day was approximately 123 miles and took 11 hours, and gave us a very clear picture of the general situation.

On 4th August Colonel Jervis had an interview with H.E. and informed him of his inspection the previous day of the Bamboo Forest. His Excellency was told that in view of Mr. Gardner's opinion that regeneration of Bamboo could not be considered to be complete under 12 or 15 years, a further area of Bamboo would have to be applied for to meet this contingency, if the scheme was to go forward. His Excellency agreed with this view, and on discussing the subject with the Colonial Secretary, Mr. Monk-Mason Moore found that this gentleman was in agreement.

On 14th August Colonel Jervis in order to obtain further information as to the Bamboo Forest formation made an aeroplane

north of his northern boundary at the Chania River. During this flight we checked our position by beacons near Lake Naivasha and Mt. Longonot. The flight was taken as low as possible over the tops of the trees and bamboo, which enabled us to get a very good view of the forest, as well as to locate a number of points which had been noticed on the motor trip on 3rd August. The flight gave a better impression of the contour of the surrounding country than had been obtained from the maps in Mr. Gardner's possession. Apparently the concession area dips steadily from west to east over half its width, and then breaks up into streamlets and ravines running approximately east which become deeper as they pass through into the Forest Reserve and then on into the Native Reserve.

Gene rally speaking, the Bamboo appears to be healthy, strong and of an average height of 40/50', and although clumps of it have flowered and died to the north of the Chania River, the Bamboo seems to be thicker, especially on the slopes and ravines, which are deeper and more pronounced in this area than they are south of the Chania River. This country is probably 200/300' higher than that south of the Chania River, lying as it does on the eastern slope of Kinangop mountain and stretching away to the north and east. This flight gave us invaluable information of the whole Bamboo Forest and its geographical appearance.

Between 14th and 17th August several conferences were held with Mr. Gardner regarding the maps of the area and the method of extracting the Bamboo from the Concession, also the rate of extraction.

On 17th August Mr. Gardner and Colonel Jarvis proceeded to Mr. Klein's hut, which is situated near the head waters of the Kitikuyu River in Mr. Udall's Concession. From this point we made expeditions into the Bamboo along and north

These expeditions have established that the whole area can only be traversed on foot by following the elephant paths, and making short cuts across and through the Bamboo to other elephant paths on other ridges in the Bamboo, which is very dense. But at a later date a complete survey will be necessary to estimate fairly closely the quantity of Bamboo in the Concession so as to divide the Forest up into economical areas for extraction and transportation of the cut Bamboo to the Crushing Mill. A detailed ground and aerial survey will be made throughout.

On 22nd August Mr. Gardner and Colonel Jervis made a further expedition to the Kinangop Plateau. From here we traversed the Thika and Chania Rivers into the Aberdare Forest Reserve north of the Chania River which is the area which it is proposed should be included in the new Concession.

The Bamboo in this area seems to be slightly bigger in girth and denser in the number of stems per acre than in the present Udell Concession, which may be accounted for by the fact that it is several hundred feet higher up immediately across the Chania River, and that mist and clouds pass over this Forest all the time and settle round the Kinangop Mountain giving the Bamboo more continuous moisture. Much less flowered Bamboo was seen and there was a distinct improvement in the condition of the Forest, although the ravines and slopes are steeper.

The Thika River is only a small stream of probably $4/5$ cusses capacity, but it is augmented throughout its course by other streams flowing into it, so that by the time it reaches the Forest Reserve on the eastern slope it becomes a considerable stream.

The Chania River, which forms the northern boundary of the Udell Concession, runs through a gorge after leaving the Kinangop Plateau and enters the Bamboo Forest. The gorge deepens and widens the further south-east the river flows, the slopes of the river are thickly covered with heavy Bamboo and some Cedar and local timber. The quantity of water in this river is considerable for this

PUBLIC RECORD OFFICE

CONTINUED ON NEXT FILM

TOTAL EXPOSURES →

