

the revenues of the Colony. It is quite possible to realise such a policy.

We have carefully studied the M'Baraki Creek proposition of Major Grogan, in conjunction with Sir George Buchanan, who is very favourably impressed with the possibilities of the site.

As the Government have already made plans for building quays in another direction, it would hardly be possible for us to come to terms with Major Grogan for his properties before ascertaining the views of the Government as to which site they prefer the quays to be built upon.

We are struck with the advantages of the M'Baraki Creek site over that of the proposed Government site, more especially in regard to the space which is available on the former property. It is obvious that on the M'Baraki Creek site any finance will have much stronger support in the revenue earning powers of the land round the creek. There are, including 20 acres of reclaimed land, a total of 220 acres, which would be utilised for railways, warehouses, business quarters, residential quarters, and all the necessary buildings for a busy entrepot. From what we can learn, all this is entirely wanting in the Government site.

It may be that we could come to terms with Major Grogan for the purchase of his creek properties, and that a company should then be formed, which might be eventually turned into a Port Trust: that the money for the building of the works should be raised by Bonds guaranteed as to capital and interest by the Government.

We would suggest that after a certain dividend of say

was paid on the Common stock of the Company, then the Government should participate in the surplus profit as to half, and the shareholders of the Company as to the remaining half, and the size of such Ordinary capital would have its proper relation to the cost of the works. On this security our house would provide the necessary funds for the building of the works, with a Sinking Fund, and the proposition, being a satisfactory one, would mean that the Government would gradually realise a substantial profit out of a business for which they would not have had to use a penny of their own resources.

The finance of the railway system of Russia and of many other countries has been developed on these lines, which enables the Government to keep a certain control over the whole position, and yet gives a freedom to private enterprise.

With such a Government guarantee, we feel that a Colony with a future such as East Africa should have, would be better served by a port controlled by Government, combined with private enterprise. On the other hand, a direct holding of any Common stock in the Company or Port Trust could be arranged for the Government, with full powers for drawing dividends, instead of having any special provision for Deferred dividend participation.

Sir George Buchanan, who has been so eminently successful on dock and port trust work, is willing to frame a scheme for our house, for a Company or Port Trust for Kilindini, and to proceed to East Africa immediately, for the purpose, so that he can inspect the ground and check the plans that we have by us.

If you should decide to utilise Indian capital in the way suggested, under our auspices, we should be most happy to go further into the proposed plans we have in mind for this business.

It would be as well to mention that the rate of interest on the Bonds, and the price at which the Bonds would be issued, would be controlled by the price of value of securities of a like nature, at the time they were issued. The British Government loans yielding as high a rate as 7% naturally would compel Bonds such as these to give a relatively high return, and in our opinion, the Sinking Fund should be 1% per annum, operating from the termination of, say the fifth year after the works were finished.

The amount of money required for these works may be, we understand, somewhere in the vicinity of £1,000,000. The accommodation would provide for eight berths which, we believe, would provide ample facilities for some time to come.

We beg to remain, etc.

(Sgd.) Boulton Bros. & Co.