

E. AFRICA

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REC'D 5 AUG 07

No. 24869

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(Subject)

1907

Last previous Paper

No. 558/00

Some of letters from Major G. H. Williams as to financing of the scheme & saying that G. O. should issue an order that before execution the financial scheme of any Co. must be approved of

(Minutes.)

N. Antrobus

It is a great pity that something cannot be done to show up the man Davis. There seems to be a general impression that the Dept. is unduly cautious in dealing with these concessions, but if justification were required for our action I think that these letters furnished at especially if they come from the man who was the only other who attacked us in the past. I think that the first thing to be done is to find out from the F. O. what is the procedure of the Egyptian Govt. in dealing with concessions, with a view to seeing whether it suggests any further

safeguards than those which we already  
require - The B. & A. Dept should then  
see with refer to what is said about  
Mr. Davis & the R.R. Companies  
which he is interested in & the C.A.  
should also see the papers.

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Follejon Park,

Winkfield,

593

Windsor,

July 21st, 1907.

My dear Sir Clement,

The position in the Sudan has turned out to be exactly what I told you I thought it was when you were here in the Spring.

These are people connected with East Africa Syndicate, namely Edward Davis, G. Salomon and Pauling the railway people who have quietly been doing all they can to prevent the business going through on proper lines. Our lines are too honest and there is not enough water for them. I had to be in Glasgow on Friday 12th for the launch of one of our steamers and they took the opportunity to call a meeting of the Directors giving only 12 hours notice. The notices were sent out on the Thursday night consequently at the meeting only Davis, Pauling's representative and Versham were present. They then proceeded to give themselves an option on the property for six months on the following lines:-

- Capital: £750,000 in £1 Ordinary shares.
- £450,000 Pauling for railway.
- £100,000 Working capital.
- £125,000 to those finding the money.
- £ 70,000 East Africa Syndicate.
- £ 5,000 Gordon Salomon.

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Agudo 618 8

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The reason of the option is that Gordon Salomon who was supposed to be working for the East Africa Syndicate has I understand entrusted some American Soda people in the business which they think will facilitate their getting the money for the Railway.

I have a letter from Pauling dated a year ago after the survey offering to build the railway for 350,000 and underwrite 100,000, so that shows you the water there is hidden up in the price of the Railway. On these lines half the Capital will be watered and the East Africa Syndicate shareholders will be defrauded of their rights by these men.

This is the game this man Davis plays with everything.

I am determined that this business shall be run on proper lines if at all and have placed the whole matter in the hands of a good firm of lawyers in the City. If I am obliged to I shall make the whole thing public.

But the whole of this rascality can be stopped if the Colonial Office will exercise the same control that Lord Cromer did in Egypt and say that before this Soda proposition is floated they must approve the terms of the flotation, i.e.

The Capital of the Company.

The Railway Contract.

The Commission paid for underwriting.

The Vendors interest.

In the interest of East Africa this must be done.

People

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People will never invest money in East Africa if they are open to be robbed in this manner. It has been commonly done in Rhodesia and look at the result. I will send you on copies of the correspondence I have had with E. Davis upon this subject which will prove what I say. That I sincerely hope you will place the whole before the authorities at the Colonial Office.

I have the interest of East Africa at heart in this matter and I only want to see this business run on proper lines.

Yours, &c.,

(Sd.) CHARLES H. VILLIERS.

E. Davis is playing the same game with the Rhodesian Copper Co.

I stopped him getting an option in the Kwana Inkulwa mine at the last Board meeting, and I am seeing the Solicitor to Charterd Company tomorrow to make it clear that if there is anything done which is not right and proper I shall expose it.

If you happen to see Sammy Scott in the House show him this letter. He knows E. Davis by reputation and has shares in both Companies.

Recd  
5 AUG 07

Folieson Park,

Winfield, Windsor.

23rd July, 1907.

My dear Sir Clement,

I will send you the whole of the correspondence as soon as I can get it from my lawyer.

I called a meeting of the Directors yesterday at 2.30 only Verulam and Clarence Wilson attended.

Verulam is of course Chairman of the Syndicate and was present at the meeting on Friday 12th when according to Mr. Davis and the Secretary they undertook to grant this option to Messrs Pauling (which is really Davis and family).

On the minutes being read yesterday Verulam was astounded to find that the Secretary had entered on the minutes that this option would be given to Paulings.

As owing to all of us being absent he had decided that no option should be given - but that the words should be "if Messrs Pauling send in a scheme on or before July 31st it will be considered by the Directors in a friendly spirit" (or words to that effect).

The Secretary produced a memorandum from Mr. Davis which ordered him to enter in the minutes that the scheme would be accepted.

Verulam infuriated at the minutes being tampered with in this way and is entirely with us in our opinion of the scheme.

This therefore finally decides the point that the option is not yet given. But we are not out of the wood. This man Davis is clever and cunning and means

to get the property into his hands if he can, and if he does he will float it off well watered, sell his own shares at a large profit and then leave it a ruined concern to the detriment of East Africa.

He is a Director of some 40 Companies, they have all been treated the same way, none pay dividends and have been copiously watered.

I am not going to see this done with anything I am concerned in, and as far as the East Africa business is concerned.

The railway must be built on 10% profit basis to the contractors.

The underwriters must have a fair commission and no more.

All those who have worked such as Messrs the Chemists and others must be properly remunerated and there must be no water, it will be ruin to the country as far as shareholders of the East Africa Syndicate are concerned. I think they should receive 25% of the profits after those who put up the money have received 5%.

The East Africa Syndicate have spent some £70,000 in the country and therefore I do not think that is too much to give them.

In Egypt Lord Cromer took very good care to prevent the haphazard flotation of these impossibly watered Companies and it will be ruin to East Africa if the same care is not taken.

It would be quite easy for the Colonial Office to say that any railway which is built must be

built

Built on the basis of a 10% profit to the contractors and no more. I have a letter written some time back by Messrs Pauling offering to build on this basis and in fact any Railway Contractor will do this.

The commission paid for underwriting must not exceed a percentage to be definitely fixed.

The Vendor's interest must not exceed a certain proportion. Also the Colonial Office in a matter of this sort should have the right to appoint a Director to the Board.

The soda business is either nothing or it is an enormous commercial transaction, which will be of the utmost importance to the welfare of East Africa.

If it is no good it must never be floated into a Company, on the other hand if it is of great commercial value then those who put up the money must have a fair proportion, and East Africa must also benefit.

I have satisfied myself that this property is of great commercial value and you shall have every document in connection with the business as you will see I have interested commercial people of the highest standing in the business and it is to the interest of East Africa that these people should give their help rather than the property should be seized and saten up as it were by those city Jews.

Winston Churchill is going out to East Africa. He had better have all the papers and go and see the property for himself.

I am still endeavouring to get further people into it.



We now know we can place large quantities in  
London and the East.

I will collect all the papers and send them  
on to you.

Yours very sincerely,

(Sgd) CHARLES H. VILLIERS

There is a long letter from Durn saying he  
has some 1600 lambs marked and about 400 un-marked, and  
saying sheep are doing well. Davis vetoed any proposal  
to remove Durn

8.5

JUL 5 1907

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Hotel Metropole,

Pretoria.

July 27th, 1907.

My dear Sir Clement,

I did not get your letter in time to call at 12 noon Friday, as I did not return to Pretoria.

Owing to Verduyn's action at the last meeting the option is not given to these financial sharks, and they will not get the property to float off on the Public at their own sweet will - without a public scandal as I shall never allow one single drop of water to be put into the Company.

It will however as I say stop all their plotting and scheming if the Colonial Office issue an edict that before flotation they must approve the financial scheme of any Company. And in this particular Company which will be of great importance to East Africa - the Colonial Office ought to retain the right to nominate a Director - who would sit on the Board. This could be done without his name appearing at all, and it never need be known publicly that the Government are in any way represented. I have no hesitation in saying that the financial schemes which are put through daily in connection with Rhodesia, the Transvaal and West Africa, are a curse to the countries upon which they are perpetrated -

and

and they are undoubtedly the cause of the great depression at the present time.

Yours very sincerely

(Signed) C. E. VIANE

I am out with my Yeomanry for a fortnight but shall be in London one day and will try to see you.

805

H 5 April  
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DRAFT

The Under Secy of State  
Foreign Office

27 August

MINUTE.

- Mr. Peard. 22 Aug
- Mr.
- Mr. Antrobus.
- Mr. Cox
- Mr. Lucas
- Mr. Graham.
- Sr. H. Osmannay.
- Mr. Churchill.
- The Earl of Elgin.

Sir, I am directed by the Earl of Elgin to state that he would be glad if his Majesty could cause him to be furnished with a statement of the procedure which followed by the Egyptian & Sudanese courts in dealing with applications for concessions of land, & in particular with special reference to the various applicants

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