

BRITISH SOUTH AFRICA COMPANY.

CORRESPONDENCE

WITH

MR. C. J. RHODES

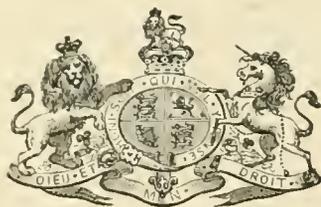
RELATING TO THE

PROPOSED EXTENSION OF THE  
BECHUANALAND RAILWAY.

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Presented to both Houses of Parliament by Command of Her Majesty.  
May, 1899.

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# CORRESPONDENCE

RELATING TO THE

## PROPOSED EXTENSION OF THE BECHUANALAND RAILWAY.

No. 1.

MR. C. J. RHODES to COLONIAL OFFICE.

(Received May 3, 1898.)

Burlington Hotel, Cork Street, W.,  
London, April 28, 1898.

SIR,

I HAVE the honour to submit for your consideration certain proposals in regard to the contemplated immediate extension of the Bechuanaland Railway to Lake Tanganyika, and to invite the co-operation of Her Majesty's Government in this important undertaking.

The route proposed to be followed is indicated in the accompanying maps,\* the total distance to be traversed being between 700 and 800 miles. No survey has as yet been made. Trustworthy information has, however, been obtained as to the character of the country through which the line will pass, and it may be stated generally that the conditions over the greater portion of the distance resemble those which are encountered elsewhere upon the high central plateau of Southern Africa, and that the engineering difficulties to be overcome are probably no greater than those which have already been successfully surmounted between Mafeking and Bulawayo.

I anticipate that the Colony of the Cape of Good Hope will be prepared to contribute practically towards the cost of the work, and, in confirmation of this opinion, I transmit herewith, for your information, copy of a letter, dated 16th ultimo, which I have received from Sir Gordon Sprigg, K.C.M.G., Premier of the Colony. Bearing in mind the probability of assistance being thus afforded, I estimate the net cost of construction of the line at about £2,000,000, basing my estimate upon the fact that the average cost per mile of the Bechuanaland Railway, to which no financial contribution has been made by the Cape Government, has been approximately £3,000.

I shall recommend the Bechuanaland Railway Company, Limited, to undertake the extension, and, with the sanction of Her Majesty's Government, to raise the necessary funds by further issues of debentures which will be secured upon the whole of its assets and undertaking, after provision has been made for safeguarding the rights of holders of the present debenture issue of £2,000,000. Subject to the present debentures, the security offered will, therefore, be that of the whole line of 579 miles from Vryburg to Bulawayo, of any further extensions, of the subsidies paid by the Imperial Government and the British South Africa Company at present amounting to £30,000 per annum, and of blocks of valuable land in Bechuanaland and the Bechuanaland Protectorate of an aggregate area of 8,000 square miles.

In the event of my recommendation being adopted, the British South Africa Company is prepared to guarantee the interest upon the whole of the further issues of debentures required, and, with a view to the creation of these debentures upon more favourable terms than would otherwise be possible, I would suggest that a collateral guarantee should be given by Her Majesty's Government on the basis of interest either at the rate of 3½ per cent. for a limited term of 30 years, or of 2½ per cent. in perpetuity. I would further suggest that the line should be constructed in 200 mile sections: that the funds required for each section should be raised separately; and that it should be open to Her Majesty's Government to refuse to guarantee the interest upon the debentures to be issued for the construction of any section, unless satisfied both as to the commercial prospects of the proposed extension, and as to the nature of the contracts intended to be entered into.

The first 200 mile section will tap the valuable coal fields which have been discovered in the Bubi, Mafungabusi, Sengwe, and Sanyati districts, and will also traverse the promising gold districts of Bembesi, the Lower Sebakwe, and the Lower Umfuli. The second section will pass through the Lo Maghonda district, which is covered with ancient

\* Not reproduced.

workings, and in which many gold reefs that have been favourably reported upon by competent engineers have already been exposed. Beyond the Zambesi the line will run through an excellent cattle country, densely populated by natives, and will, for many years to come, absorb the greater portion of the trade of the Upper Zambesi, the Upper Congo and the western portions of German East Africa, in addition to that of Northern Rhodesia. Over a great portion of this area, it is probable that an important industry in rubber and other vegetable products will be developed. Large areas of Northern Rhodesia have already been proved to be highly mineralised, and valuable deposits of copper exist in the Congo State on the borders of the British South Africa Company's territories.

There is further the question of native labour. The enormous demand for labour for the mines at Kimberley, Johannesburg, and in Rhodesia have caused the wages for unskilled labour to reach an unduly high figure, and it has even been suggested that the mining companies on the Witwatersrand should assist financially in the work of railway extension to the North, with the object of increasing, and thus of cheapening, the labour supply. At the De Beers Mine, wages at the rate of £1 per week are being paid for labour which can be readily obtained north of the Zambesi for 2*d.* per diem. The natives in these northern districts are anxious to obtain work, but, so far, the great distances which they have had to cover on foot have prevented extensive employment of their services. On the completion of the projected railway there is every probability of large numbers of labourers being constantly carried to and from the mining districts, of a highly remunerative traffic being thus established, and of a considerable benefit being at the same time conferred upon the most important industry of South Africa.

In view of the above facts, I am convinced that each section of the proposed line will, on completion, pay its way, and my conviction is strengthened by consideration of the exceedingly satisfactory results which have already been shown by the Mafeking-Bulawayo line. This was completed to Bulawayo at the beginning of last November, and the latest returns received show that during the period of four months ending 28th February the average net earnings per month, after deduction of all working expenses, have amounted to £12,922 0*s.* 7*d.*, being at the rate of £155,064 7*s.* per annum. During the whole of this period the line has been managed by the Cape Government Railways Department under an agreement between the railway company and the Cape Government. The accounts are made up monthly by the Department, and regular remittances of net profits at the above rate are being received.

The gross amount required to meet the interest on the debentures already authorised is £100,000 per annum; but of this only £70,000 per annum has at present to be provided by the railway company, as the subsidies paid by Her Majesty's Government and by the British South Africa Company amount to £30,000 per annum. On the basis of present earnings, therefore, the balance of profit accruing to the railway company is at the rate of £85,064 7*s.* per annum, or sufficient to pay the interest upon the whole of the capital required to extend the line to Lake Tanganyika.

There is, moreover, every probability of the present rate of profit being more than maintained. The above returns do not include any receipts for the carriage of permanent way material. The rapid progress of Rhodesia will certainly induce a considerably augmented traffic, which will be further increased by extensions of the line to the north, since all goods carried to and from the interior must necessarily pass over the present line. On the other hand, substantial reductions in working expenses may confidently be predicted. The efficiency and organisation of the line is being daily improved. The opening up of the Zambesi coalfields will revolutionise present conditions, under which all the coal consumed upon the line has to be brought at great cost from the Orange Free State to the Cape Colony, and thence to Rhodesia. A supply of cheap fuel will prove of the utmost benefit to the mining industry, and, whilst its carriage will prove directly remunerative, its indirect effect upon traffic will probably be even more important.

I accordingly submit that the construction of the line to the north of Bulawayo will for many reasons exercise an important and favourable influence upon the future profits of the Bechuanaland line, and I would point out that Her Majesty's Government is directly interested in this desirable result. Under Article 49 (*b.*) of the Agreement entered into on 3rd August 1894, between the High Commissioner of South Africa, the British South Africa Company, and the Bechuanaland Railway Company, an interest in the profits of the line is reserved to Her Majesty's Government, and the amount which will eventually accrue to the Imperial revenues from this source will necessarily be dependent upon the profit-earning capacity.

The political and international obligations of Her Majesty's Government also point to the desirability of support being given to the projected enterprise. Certain responsibilities have been incurred through the extension of the British sphere of influence north of the Zambesi, both to the native inhabitants of those regions and to foreign Powers, under the Brussels Act of 1870. Under Article III. of that Act, the obligation has been accepted "of proceeding gradually, as circumstances permit, with the repression of the slave trade" within the territories under British direction, and whilst Article IV. expressly provides that a portion of the engagements assumed under Article III. may be delegated to a chartered company, it explicitly enacts that every signatory Power "shall remain directly responsible for its engagements under the Act and shall guarantee their execution."

In Article I. of the Act it is contemplated that measures for the suppression of the slave trade shall, as far as possible, be taken in the places of origin, and various means whereby this suppression can best be promoted are enumerated. Amongst these means the construction of railways is recognised in Section 3. It is, accordingly, submitted that the duty of Her Majesty's Government, as well as its interest, lies in the furtherance of the proposed scheme, which, whilst promoting the development of valuable British Possessions, will at the same time serve on the completion of the railway to Uganda to close entirely the slave routes to the East coast, and thus to deal a final blow to the slave traffic throughout the greater portion of Central Africa.

Should this desirable result be accomplished, the necessity for maintenance of a costly blockade along the line of the East coast will in a great measure disappear, and it will be possible to exercise a far more effective supervision at a greatly reduced cost. The unhealthy character of the greater portion of the coast line has caused the indirect expenses of the blockade in the past to be very considerable. Ships and men whose services have been urgently required elsewhere have had to be detailed for this service, and there can be no question but that the removal of the necessity for its continuance will be of material assistance to Her Majesty's Government.

The question of the future government of the vast native populations within the British sphere must also be considered. Experience has conclusively shown that the contact of European civilisation with barbarism will always result in native wars and disturbances unless authority can be effectively exercised. The mortality amongst domestic animals throughout large areas of Central Africa causes unusual difficulties, and, it may generally be said, that in the absence of rail or water transport, the establishment of a strong Administration is practically impossible. The late disturbances in Matabeleland furnish an excellent illustration. Had the railway been extended to Bulawayo in 1895, the rebellion of 1896 could not have taken place. The recent outbreaks of the Angoni point to the existence of a turbulent element in Northern Rhodesia and in the British Central Africa Protectorate. Extensive immigration to the north, either with or without the sanction of the Administration, is now imminent. Transport by water is extremely limited. It is, therefore, urgently necessary that application should be made of the teachings of experience, that the railway should be immediately extended, and that peace and order should be secured in territories for whose administration Her Majesty's Government is ultimately responsible.

In the consideration of this question the interests of the British Central Africa Protectorate cannot be neglected. Notwithstanding that water transport is available over a great portion of the distance which separates it from the coast, the unsatisfactory character of the mouths of the Zambesi, the frequent shoals along its course and along that of the river Shiré, the existence of rapids, the constant necessity for transhipment, and the consequent irregularities in the delivery of supplies and merchandise, point to the desirability of provision in the future of more regular and efficient means of transport. The distance between the proposed line and the western boundary of the Protectorate will not be considerable, and it is probable that the facilities which it will afford will more than counterbalance the disadvantages arising from the distance over which goods will require to be hauled to the point of delivery, and that extensive advantage will be taken of the new line both by the Administration and by the inhabitants of the Protectorate.

Ample precedent can be found for the present application, and many cases can, if necessary, be cited in which similar assistance has been given in British Possessions. In India especially it has been the consistent policy of the Government to encourage railway enterprise, and, as circumstances have required, obligations in the form of subsidies and guarantees—for the due payment of which Her Majesty's Government is finally responsible—have been freely incurred. In the case of India the inducements have been

mainly commercial. In the present instance other considerations can be urged with equal if not greater force, and the argument in favour of the desired support being given is, therefore, proportionately stronger.

I would also point out that it has been the practice of the Bechuanaland Railway Company to purchase the whole of its material, plant, and rolling-stock in England, and that there will be no change in its policy in this respect. The construction of a line from Bulawayo to Lake Tanganyika will absorb—apart from all rolling stock—at least 160,000 tons of material, and the realisation of the project will thus confer a substantial benefit upon British trade.

In conclusion, I would submit that, whereas under the arrangements sanctioned by the late Government an amount of £200,000 is to be contributed out of Imperial funds to the cost of the Mafeking-Bulawayo line, under the present scheme no application for a direct contribution is made; that the advantages which will accrue to Her Majesty's Government in the fulfilment of its obligations and in the reduction of its expenditure will be very considerable; that substantial benefits will be conferred upon British trade and enterprise; that the security offered in return for the desired guarantee is more than ample; that there is not the slightest probability of any payment being ever required to be made under the guarantee out of Imperial funds, since this can only happen in the contingency—which it is almost absurd to contemplate—of both the railway company and the British South Africa Company failing to meet their obligations; and that the present occasion furnishes a unique opportunity for the mutual co-operation of Her Majesty's Government, the Government of the Cape Colony, and the British South Africa Company, in an undertaking which will probably prove of far-reaching importance in its effect upon the development and consolidation of British interests in Africa.

I have, &c.,  
C. J. RHODES.

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Enclosure in No. 1.

MY DEAR RHODES,

Treasury, Cape Town, March 16, 1898.

As you are aware I have always taken a great interest in your work in the North, and have endeavoured in my official position to aid your enterprise, and the intimation you made to me last week of your scheme for pushing on the railway to Tanganyika has stimulated my desire to assist in an undertaking which must materially promote British supremacy in South Africa.

Should you be successful in obtaining the help and countenance you require from Her Majesty's Government I shall then be prepared to confer with my colleagues in the Cabinet with the view of ascertaining their readiness to co-operate by submitting definite proposals to Parliament under which the Government of this Colony might practically contribute towards the cost of the work.

Most heartily do I wish you success in your mission.

Yours truly,  
J. GORDON SPRIGG.

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No. 2.

COLONIAL OFFICE to Mr. C. J. RHODES.

SIR,

Downing Street, July 28, 1898.

I AM directed by Mr. Secretary Chamberlain to inform you that he has been in communication with the Lords Commissioners of the Treasury on the subject of your letter of the 28th of April,\* in which you submit for his consideration certain proposals in regard to the contemplated extension of the Bechuanaland Railway to Lake Tanganyika, and invite the co-operation of Her Majesty's Government in the enterprise.

Mr. Chamberlain understands your proposal to be that, in addition to a guarantee by the British South Africa Company of interest on a further issue of Debentures by the Bechuanaland Railway Company for the purpose of providing funds for the construction of the line from Bulawayo onwards, a guarantee should be given by Her Majesty's Government with a view to the issue of these Debentures upon more favourable terms than would otherwise be possible.

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\* No. 1.

Mr. Chamberlain desires me to say that Her Majesty's Government recognise that your request for their assistance is recommended by the consideration that the ultimate responsibility for the peace, order, and good administration of the territory controlled by the British South Africa Company rests with Her Majesty's Government, and that the establishment of communications by means of a Railway is the most advantageous and most economical means of securing these objects. It is also the only way of developing the territories of the Company for trade and commerce, and of ultimately rendering them self-supporting.

The scheme, therefore, is one the conception of which commends itself to Her Majesty's Government. Before, however, they could invite Parliament to give it financial support they must be furnished with more definite information on certain points.

According to your own suggestion the line would be constructed in sections of 200 miles for each of which funds would be separately raised, and any assistance given by Her Majesty's Government to one section would not commit them to giving assistance to any other section.

Her Majesty's Government consider that any proposal for assistance on their part, should for the present be confined to the first section northward from Buluwayo, which you roughly estimate will cost £500,000 to construct, and which, to use your own words, "will tap the valuable coal fields which have been discovered in the Bubi, Mafungabusi, Sengwe and Sanyati Districts and will also traverse the promising gold districts of Bembesi, the Lower Sebakwe and the Lower Umfuli."

Information as to the data upon which it is calculated that these districts will yield a sufficient amount of traffic to justify the extension of the line will no doubt be forthcoming later on, so far as it can be supplied. But the first essential for a proper consideration of the question is that an adequate survey of the section must be made on which a trustworthy and fairly accurate estimate of the cost of its construction could be based.

It will also be necessary that Her Majesty's Government should be satisfied on certain points in regard to the existing line of the Bechuanaland Railway which will form the main part of the security for the Debentures to be issued for the construction of the extension, and the profits of which, after payment of the interest on the present debentures, you estimate, on the basis of present earnings, would be sufficient to pay interest on the whole of the capital required to extend the line to Tanganyika.

In the first place Her Majesty's Government desire to be assured that the present capital of £2,006,000 in shares and debentures affords a sufficient margin for the completion of the line to Buluwayo as a permanent work, and that this completion will not form a charge in any substantial degree on current and future receipts. In your statement to the Shareholders on the 6th of May you mentioned that the issue of £2,000,000 covered not only the construction and rails, but also the completion of bridges across the rivers. But it will be necessary to receive a specific assurance from a competent authority that the ballasting and bridges can be fully and satisfactorily completed without raising further capital or trenching on traffic receipts.

In the second place, it is necessary to ascertain with regard to the net earnings of the present line to Buluwayo, which you speak of as being at the rate of over £155,000 per annum, the details on which these earnings are calculated and what has been their amount for each month since the line was opened in order to judge how far, if at all, they may be ascribed to accumulations of traffic precedent to the opening of the line or to other exceptional circumstances, and therefore regarded as a not altogether trustworthy index to the earnings of the line in future. The Bechuanaland Railway Company will, doubtless, be able to furnish Mr. Chamberlain with full information on these points.

Further it will be needful that, as some guide to the value of the guarantee offered by the British South Africa Company, a report should be furnished of all the guarantees already given by the Company on behalf of other Companies together with a certified statement of the present assets and liabilities of the British South Africa Company. It would also be desirable to know whether the Company would be prepared to deposit any security for the fulfilment of its guarantee, *e.g.* to pledge the land over or through which the new line will run.

Unless some risk attended the scheme, the support of Her Majesty's Government would be unnecessary, and, in view of this risk Her Majesty's Government would expect to receive, in return for their support, favourable terms for the transport of mails, troops, government officials and stores over the proposed railway, as in the case of the existing railway, and in the event of the extension becoming a source of additional profit to the railway company, a reasonable share in those profits.

Finally, I am to say that Mr. Chamberlain attaches great importance to substantial co-operation on the part of the Cape Government, whose railways would be largely benefited by the success of the scheme you propose, and he therefore considers that evidence of such co-operation should be a first condition of any assistance to be rendered by Her Majesty's Government.

I am, &c.,  
H. BERTRAM COX.

No. 3.

MR. C. J. RHODES to COLONIAL OFFICE.

(Received January 18, 1899.)

SIR, Burlington Hotel, Cork Street, W., London, January 17, 1899.

I HAVE the honour to acknowledge the receipt of your letter of the 28th July last,\* in reply to my letter of the 28th April last,† respecting the proposed extension of the Bechuanaland Railway to Lake Tanganyika, and am pleased to learn that the scheme is one the conception of which commends itself to Her Majesty's Government. Before replying to your letter, I have been anxious to obtain as full information as possible upon the points therein indicated. I have accordingly awaited the receipt of a report from Sir Charles Metcalfe, who has only just returned from a personal inspection of the route to the Zambesi. His report is enclosed herewith.

2. I note that Her Majesty's Government considers that any proposal for assistance on its part should, for the present, be confined to the first section northwards from Bulawayo. It will be seen from Sir Charles Metcalfe's report that it is desirable that the length of this section should be extended to 250 miles, to permit of its tapping the extensive coal deposits in the Mafungabusi District.

3. Sir Charles Metcalfe further states that a detailed survey of the first 110 miles to Gwelo has been completed under his supervision; that his parties are now at work upon the detailed survey from Gwelo onwards; that he has satisfied himself that no special engineering difficulties will be encountered; and that he estimates the average cost of construction per mile at an amount not exceeding £3,500. According to this estimate, the total cost of construction of the 250 mile section will be £875,000, or in round figures £900,000.

4. I propose that the amount of £900,000 required shall be raised by an issue, at par, of debentures, redeemable at par, bearing interest at  $2\frac{1}{2}$  per cent.; that the interest on the debentures, together with a further 1 per cent. for sinking fund, shall be guaranteed by the British South Africa Company for a period of  $50\frac{3}{4}$  years; and that, in addition, a guarantee of the  $3\frac{1}{2}$  per cent. required for interest and sinking fund shall be given by Her Majesty's Government. Under this proposal, the whole of the debentures will be redeemed by the operation of the sinking fund within the above period.

5. As stated in the fourth paragraph of my letter of the 28th April last,† the security offered to the holders of the new debentures will be a charge upon the whole of the assets and undertaking of the Bechuanaland Railway Company, after the rights of holders of the present debenture issue of £2,000,000 have been safeguarded. Subject to the present debentures, the security offered will, therefore, be that (a) of the whole line of 587 miles from Vryburg to Bulawayo, (b) of the new section, (c) of the subsidies paid by the Imperial Government and the British South Africa Company, at present amounting to £30,000 per annum, and (d) of blocks of valuable land in the Cape Colony of an aggregate area of approximately 8,000 square miles.

6. As an alternative proposal, I would suggest that the option of the Bechuanaland Railway Company to redeem the whole of its present £2,000,000 issue of 5 per cent. debentures at £105 per cent. should be exercised: that a fresh issue of £3,000,000 debentures bearing interest at the rate of  $2\frac{1}{2}$  per cent. should be made to provide (1) the £900,000 required for the construction of the new section, and (2) the £2,100,000 required for the redemption of the present £2,000,000 issue at a premium of 5 per cent.; that a guarantee of interest at the rate of  $2\frac{1}{2}$  per cent. and of 1 per cent. for sinking fund should be given by the British South Africa Company for a period of  $50\frac{3}{4}$  years upon

\* No. 2

† No. 1

‡ Not reproduced.

the whole £3,000,000 issue of debentures; and that, in addition, a guarantee of interest and sinking fund to the same amount should be given by Her Majesty's Government. Under this conversion scheme the security offered to the debenture-holders would be identical with that described above in paragraph 5, but there would be only one class of debentures instead of two. Consequently, all holders of debentures would be equally secured. As in the preceding scheme, the whole of the new issue of debentures would be redeemed by the operation of the sinking fund within the above period of 50 $\frac{3}{4}$  years. Power could be taken in the debenture trust deed to make as required, with the approval of Her Majesty's Government, further issues of debentures ranking equally with the first issue.

7. Of the above schemes, I consider that the second is preferable to the first. From a financial point of view it is undesirable that there should be different classes of debentures. But my principal reason for commending it to the favourable consideration of the Secretary of State is, that a large annual saving in interest can be effected by this means. At present the annual liability of the Bechuanaland Railway Company for interest at the rate of 5 per cent. on its £2,000,000 issue of debentures is £100,000. Under the conversion scheme, the annual liability for interest at 2 $\frac{1}{2}$  per cent. on the whole £3,000,000 required would be only £75,000, or a clear saving to the Railway Company, through the use of Imperial credit, of £25,000 per annum, with an addition of 250 miles of new line to its system.

8. Should Her Majesty's Government be disposed to adopt the above conversion scheme, I would further suggest that an addition of £250,000 should be made to the amount of £3,000,000 to be raised, in order to enable the Bechuanaland Railway Company to purchase its own rolling stock. The Company will be in a far stronger position than at present, if it can employ its own plant without hiring from the Cape Government. A substantial saving can be effected by this means in the cost of working, and it is submitted that the present is a favourable opportunity for making the necessary financial arrangements.

9. I am in a position to state that the Bechuanaland Railway Company, Limited, would be willing to concede to Her Majesty's Government, in return for its support, similar terms for the transport of mails, troops, Government officials, and stores over the proposed railway, as are given to it by the Railway Contract of the 3rd August, 1894; and, in the event of the extension becoming a source of additional profit to the Railway Company, to hand over to Her Majesty's Government such share of the additional profits as may be deemed fair and reasonable.

10. With regard to the first point upon which Her Majesty's Government desires to be assured, I attach a statement prepared from the Railway Company's books, showing that the total cost of construction of the line from Vryburg to Bulawayo as a permanent work, with stations, steel and masonry bridges throughout, telegraph lines, workshops, and machinery, when certain small subsidiary contracts have been completed, will be £1,948,944 15s. 5d. This sum includes a bonus of £31,550 paid to the contractors for expediting the work. A certain small amount of ballasting still remains to be carried out, but Sir Charles Metcalfe certifies that when the whole of this work has been completed, the total cost of construction will not exceed the present debenture debt of £2,000,000. The railway Company will have to meet certain liabilities, not exceeding £120,000, which have been principally incurred for interest on debentures during construction, and expenses of issue, and which will include the cost of completion of all ballasting. To meet these liabilities it is not proposed to raise fresh capital by the issue of shares or debentures, but the British South Africa Company is advancing the sums required from time to time, and will allow the Railway Company to repay them out of net profits, after provision for interest and sinking fund under my proposals in paragraphs 5 and 6 has been made. If so desired, the Company is prepared to give a guarantee that no portion of the sum to be raised by the use of Imperial credit shall be devoted to the redemption of these liabilities.

11. As to the second point upon which an assurance is desired, I append a statement showing the monthly earnings, working expenses, and net profits of the railway during the twelve months which have elapsed since the opening of the line on 4th November, 1897. I also append a further statement, showing that if Colonial produce had been carried at the rate now to be enforced by agreement with the Cape Government, an additional profit of £50,000 would have been earned, bringing the total profit to £148,160.

Enclosure  
B.

Enclosure  
C.

Enclosure  
D.

12. Under the conversion scheme, assuming an amount of £3,250,000 to be raised, the total sum annually required to provide the  $3\frac{1}{2}$  per cent. for interest and sinking fund will be £113,750. It will, therefore, be seen that, on the basis of the foregoing figures, there is every reason to anticipate that the sum annually required will be paid without difficulty out of the profits of the line, of which the earning capacity will be increased by the addition of a further 250 miles, whilst the working expenses will be diminished through the opening up of the Mafungabusi coalfields.

13. The recent rapid development of the gold mining industry in Rhodesia, which has lately been established on a profit-earning basis, cannot fail to have a marked effect upon the financial future of the Railway Company. The first output of gold from Matabeleland was witnessed in September last, when the total production was 2,346 ounces. In December last the output was 6,258 ounces. A number of other mines will shortly reach the producing stage. As has been pointed out by Sir Charles Metcalfe in his report, three out of the four principal mines now at work are situated close to the proposed route of the new section, which will also traverse several highly promising gold districts. The opening up of the new coal beds cannot fail to have a marked effect in cheapening mining costs, which will further help to stimulate the mining industry.

Enclosure  
E. Details  
of output.

14. A certified copy of the British South Africa Company's Balance Sheet, showing the assets and liabilities of the Company at the 31st March, 1897, is annexed. A further issue of shares is now being made, and, on its completion, the available cash assets of the Company will exceed £2,000,000.

Enclosure  
F.

15. With the exception of its guarantees of interest upon debentures issued by the Bechuanaland Railway Company, Limited, and by the Mashonaland Railway Company, Limited, no guarantees have been given by the British South Africa Company. Its liability under the Bechuanaland Railway guarantee is 5 per cent. on £2,000,000 for 20 years from 1st November, 1895; under the Mashonaland Railway guarantee its liability is 5 per cent. on £2,500,000 for 22 years from 1st October, 1897, but, at present, only £1,150,000 of this amount has been issued.

16. As further security for the fulfilment of its guarantee of interest upon the debentures proposed to be issued, the British South Africa Company would pledge, as mentioned in your letter, such portion of the land over or through which the new line will run as is not already granted to farmers and other settlers. But I would suggest that such a course would be inadvisable, as tending to retard the development of the country by the locking up of large areas of land as security.

17. As to the concluding paragraph of your letter, I am in a position to state that the present Government of the Cape Colony has expressed its willingness not to charge more for the carriage of construction material than actual cost.

18. The responsibilities of Her Majesty's Government in connection with the whole of the territories traversed by the Bechuanaland Railway Company's line is recognised in your letter under reply. Its extension may fairly claim to be considered as essentially an Imperial undertaking. I would, therefore, commend the above proposals to the most favourable consideration of Her Majesty's Government, and would express the hope that the assistance for which I am asking will be given.

I have, &c.,

C. J. RHODES.

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Enclosure 1 in No. 3.

A.

28, Victoria Street, Westminster, London, S.W.,  
January 16, 1899.

GENTLEMEN,

IN accordance with instructions received, I proceeded to Bulawayo at the commencement of August last, and organized a party to proceed from Gwelo to the Kariba Gorge, on the Zambesi River, with a view to locating the route for the railway northwards, a detailed survey having been already started under my supervision from Bulawayo to Gwelo.

I left Gwelo on August 23rd, and proceeded past Ingwenia and Simnonombi in a northerly direction. The altitude at Gwelo was 4,600 feet above the sea, and at a point

120 miles north of Gwelo the altitude was still over 4,000 feet, making an extreme difference of altitude of only 600 feet in 120 miles. This shows the easy nature of the route for the purposes of constructing the line. There is, however, at that point a sudden fall of 700 feet. I have, therefore, directed Mr. Mansergh, who is in charge of the detailed survey party, to keep slightly to the east of the route which I traversed, in order to avoid this sudden fall. This more easterly route keeps closer to the line of ancient workings, which are very large and very numerous all the way from Gwelo to the Mafungabusi Peak, called by the natives "Sidoma." As far as that point the line would go through gold formation for the whole distance, there being only some five miles of granite formation up to that point. From that point northwards we enter on a sandstone area, many of the rivers having coal outcrops in their beds or banks. This coal and sandstone area stretches for some 70 miles northwards and north-west. The coal outcrop that I visited personally was situated on the Boomay River and its tributaries, and also on the Morawa River. Very little work has been done; the only shaft that has been sunk is near Gorodema's Kraal. The shaft is 45 feet in depth, and struck a 2 ft. 6 in. seam of coal. Samples of this coal were forwarded to Mr. Milton for analysis, and they were rather full of ash, but made very little clinker, and were pronounced to be workable coal. On the Marowa River I visited the coal outcrop in the bed of the street, which Mr. Alford had previously reported upon. I found it to be seven feet in thickness, but soft, and mixed with a great deal of shale. I have, therefore, urged upon Mr. Milton to send a party to sink shafts at once close to the proposed line of railway in this coal area. Mr. Henderson and other coal experts, who were at work in the locality, are confident that we shall strike a good seam of locomotive coal by going down probably only 100 feet, and, as the country is extremely level, any seam of coal that has been deposited there will be very even and unbroken, and easy to work economically.

After having inspected the coal in the Marowa River, I proceeded onwards with carriers to the Kariba Gorge, and found I had to traverse some twenty miles of mountain, reaching an altitude of 3,000 to 4,000 feet above the sea, and some twenty miles in width. These mountains were composed of innumerable quartz reefs and slate, but I saw no old workings. Now that our party has cut the bush and opened up a waggon track to this point, which is within 50 miles of the Zambesi River, numerous prospecting parties, I understand, will proceed thither after the rains.

These mountains end on the left bank of the Sanyati River, and from that point to the Kariba Gorge the level of the country is about 1,800 feet above sea level. The Sanyati River flows into the Zambesi just before the entrance to the Kariba Gorge. At this point the Zambesi River is about 400 yards in width, but where it rushes through the Kariba Gorge it is for at least a mile in length only 50 yards in width. A bridge across the river at this point would, therefore, be cheap and easy to construct; but, on the other hand, the line would be lengthened by having to avoid the mountains that we traversed to the south of the Sanyati River, which extend some thirty miles in an easterly direction; and, further, after crossing the Kariba Gorge, the line would enter on a hilly and difficult country alongside the Zambesi, and would then have to cross the Kafukwe, a river that would necessitate a long and expensive bridge, probably a mile in length. For these reasons I have directed Mr. Mansergh to continue his line northwards when he comes to the Sanyati River, with a view to crossing the Zambesi in a more direct line towards Lake Tanganyika, instead of deviating towards the Kariba Gorge.

Mr. Tower, who surveyed the Bechuanaland Line from Mafeking to Bulawayo, proceeded, according to instructions, from Lake Nyassa, passed Mpeseni's and the Loangwa River, and came down to the Zambesi. He reports an excellent crossing over the Zambesi River some 12 miles to the west of Zumbo, where a bridge would not have to be more than 400 yards in length.

The length of the line from Bulawayo to Gwelo by the detailed survey is 112 miles. For most of its length it lies on the watershed. The only stream of any size that it crosses is the Shangani River, which will probably require a 200 foot bridge. The earthworks are light, and the cost of construction, therefore, should not be more than that of the line to Bulawayo, except for the greater distance over which the permanent way material has to be carried. The line for 150 miles north of Gwelo also traverses an easy country. It has to cross a few streams, but none of any size. As I have stated before, the country is fairly level, and the earthworks, therefore, will be of a light construction. The permanent way material, however, for this section, having to be carried

an extra 112 miles from Bulawayo to Gwelo will cost some £90 per mile extra. The chief cost, therefore, will be the cost of the permanent way material; but I estimate that the whole line from Bulawayo to a point 150 miles north of Gwelo, which should tap the centre of the coal area, should be constructed at a cost not exceeding £3,500 per mile.

From what I could see, and from what I could gather from the natives, the line beyond this point to within a few miles of the Zambesi will also traverse an easy country for railway construction; but I was unable, with the limited time at my disposal, to go over it.

Should the Company decide to build the line via Gwelo to the Mafungabusi coal area, a length of 250 miles in all at £3,500 per mile, it should cost not more than £875,000, exclusive of rolling stock. This line would run through gold-bearing formation for nearly 200 miles, and not only tap the Selukwe Gold Fields, where 80 stamps are now at work, but also the Globe and Phoenix, Chicago-Gaika, and other mines which will shortly have batteries at work on them. The line, therefore, being economically constructed, should be easily able to earn the interest on cost. I need scarcely point out how much the coal, being all carried as back freight, would cheapen the working expenses of the line as far as Vryburg, besides serving all the mines along the route.

I enclose a plan\* of my route as far as Kariba Gorge, showing the various coal outcrops, and also the line of railway as being staked out on the detailed survey by Mr. Mansergh.

I am, &c.,

C. METCALFE.

The Directors,  
The Bechuanaland Railway Company, Limited,  
15, St. Swithin's Lane, E.C.

Enclosure 2 in No. 3.

B.

THE BECHUANALAND RAILWAY COMPANY, LIMITED.

Cost of Construction of line from Vryburg to Bulawayo to October, 1898.

Construction of Line: Cost of earthworks, platelaying, ballasting, masonry, wells, cottages, stations, additional buildings &c., including workshops and machinery	...	...	...	...	£1,085,524	16	8
Permanent way	...	...	...	...	730,399	11	8
Engineer's expenses, survey, &c.	...	...	...	...	36,480	12	10
Telegraph construction	...	...	...	...	7,259	14	3
Compensation and bonus	...	...	...	...	31,550	0	0

(NOTE.—This sum represents the amounts paid to the Contractors for pushing on the line with greater speed than they were obliged to do under their contract.)

Estimated Liabilities:—

Construction of Line, cost of earthworks, &c.

Construction	...	...	...	...	£16,095	0	0	
Balance of Contracts	...	...	...	...	25,818	0	0	
Carriage of material	...	...	...	...	8,537	0	0	
Refreshment rooms	...	...	...	...	1,400	0	0	
Contingencies	...	...	...	...	5,880	0	0	
						57,730	0	0
						£1,948,944	15	5

London, January 16, 1899.

## Enclosure 3 in No. 3.

## C.

## THE BECHUANALAND RAILWAY COMPANY, LIMITED.

Month.	Total Earnings.	Working Expenditure.	Net Earnings.
1897.	£ s. d.	£ s. d.	£ s. d.
November ... ..	45,815 12 1	26,648 7 6	19,167 4 7
December ... ..	26,388 9 4	27,107 9 5	Deficit
1898.			
January ... ..	51,442 5 5	28,750 10 6	22,691 14 11
February ... ..	41,474 14 3	28,169 6 9	13,305 7 6
March ... ..	38,101 15 3	28,843 0 2	9,258 15 1
April ... ..	32,852 2 2	26,168 15 9	6,683 6 5
May ... ..	30,433 8 5	22,259 5 6	8,174 2 11
June ... ..	28,467 11 6	22,626 19 7	5,830 11 9
July ... ..	31,088 4 3	26,104 10 2	4,983 14 1
August ... ..	26,582 9 10	26,057 6 10	525 3 0
September ... ..	25,195 12 8	21,824 5 9	3,371 6 11
October ... ..	27,699 14 8	22,811 8 4	4,888 6 4
			98,879 13 6
Deduct deficit for December, 1897 ... ..			719 0 1
Average, £8,180 1s. 1d. per month ... ..			£98,160 13 5

Cable advice has just been received stating that the net earnings for November were £6,708.

## Enclosure 4 in No. 3.

## D.

For the twelve months from 1st November, 1897, to 31st October, 1898, the following South African Produce was carried by the Bechuanaland Railway Company at  $\frac{1}{2}d.$  per ton per mile:—

Station.	Weight.	Amount.
		£ s. d.
Maribogo ... ..	363½ tons	126 18 8
Mafeking ... ..	7,376 ..	2,954 1 11
Lobatsi ... ..	830 ..	273 14 8
Gaberones ... ..	270 ..	117 10 10
Mochudi ... ..	342 ..	181 14 10
Palapye ... ..	844 ..	572 12 4
Francistown ... ..	1,302 ..	1,008 6 9
Bulawayo ... ..	9,272 ..	11,357 7 7
Total ... ..	20,599 tons	£16,592 7 7

Notice has, however, been issued that the rate for South African Produce will be raised to  $2d.$  per ton. If this rate had been in force during the past financial year the receipts from this source would have been increased by approximately £50,000, and the net profits of the line would have been increased by that amount.



BALANCE SHEET, 31st March, 1897—*continued.*

Cr.

	£	s.	d.	£	s.	d.
BY CASH, at Bankers on deposit and current accounts, in transit and in hand:—						
London ... ..	575,230	13	8			
South Africa (including the balances of accounts of the Civil Commissioners, Commissioner of Public Works, Postmasters-General, Surveyor-General, Chief and District Paymasters and other Officials of the Company) ... ..	21,852	17	0			
				597,083	10	8
BY SHARES AND DEBENTURES in Companies of the nominal value of £395,578 12s. 7d. balance of cost:—						
London—25,000 African Lakes Corporation, Limited, Shares ... ..	£25,000	0	0			
£314,057 12s. 7d. Bechuanaland Railway Company, Limited, Debentures ... ..	311,889	17	1			
£43,240 Beira Railway Company, Limited, Debentures, } ... 17,211 15 0						
2,090 Beira Railway Company, Limited, Shares. }						
500 De Beers Consolidated Mines, Limited, Shares ... ..	13,467	13	6			
9,305 Shashi and Maeloutsie Exploration and Mining Company, Limited, Shares ... ..	5,787	16	5			
Other Shares and Debentures ... ..	318	7	0			
				373,675	9	0
South Africa ... ..				359	11	5
				374,035	0	5
BY SHARES IN COMPANIES, the value of which cannot at present be estimated:—						
Nominal value of Shares (representing the Company's interest) in Companies formed to develop gold claims in Rhodesia, under the Mining Regulations of the Company—						
London ... ..	£895,327	0	0			
Nominal Value of Shares in the Bechuanaland Railway Company, Limited—						
London ... ..	£1,996	0	0			
BY DEBTORS (estimated to realise about £235,000):—						
London ... ..	177,317	9	4			
South Africa ... ..	105,482	11	5			
				282,800	0	9
BY BECHUANALAND RAILWAY COMPANY LIMITED, LOAN ACCOUNT...				329,118	0	5
BY STOCKS OF STORES, BUILDINGS, ROADS AND PUBLIC WORKS AND EXPENDITURE IN CONNECTION THEREWITH, AND OTHER ASSETS, including Equipment, Live and Rolling Stock, and the S.S. "Countess of Carnarvon":—						
South Africa ... ..				447,077	16	0
BY PURCHASE of Cape Town Office Premises, and Lease of London Office Premises, Alterations and Expenses in connection therewith, Expenses of Removal and Office Furniture and Fittings:—						
London ... ..	22,612	6	7			
South Africa ... ..	10,381	11	9			
				32,993	18	4
BY CONCESSIONS AND EXPENDITURE in connection therewith:—						
As per last Account, 31st March, 1896 ... ..	1,223,360	8	1			
Further Expenditure in South Africa during the year:—						
Barotse Concessions ... ..	£1,060	0	0			
Bechuanaland Concessions ... ..	1,051	15	3			
Secheleland Concessions ... ..	450	4	6			
				2,561	19	9
				1,225,922	7	10
BY MATABELE WAR EXPENDITURE, 1893:—						
As per last Account, 31st March, 1896 ... ..	117,722	18	4			
Further Claims adjusted in South Africa during the year ... ..	1,562	16	6			
Further expenditure on Medals during the year ... ..	354	1	3			
				119,639	16	1
BY RHODESIA DEFENCE EXPENDITURE:—						
As per last Account, 31st March, 1896 ... ..	1,099	17	10			
Further expenditure in South Africa during the year, including Compensation ... ..	2,265,876	6	3			
				2,266,976	4	1
Carried forward ...				5,675,676	14	7

BALANCE SHEET, 31st March, 1897—*continued.*

Cr.

	£	s.	d.	£	s.	d.	£	s.	d.
Brought forward							5,675,676	14	7
BY SUSPENSE ACCOUNT, being Stores and Expenditure on Rhodesia Horse Volunteers ... ..							91,290	12	9
(Kept in suspense pending receipt of information from South Africa, to enable it to be ascertained whether any and what proportion is recoverable.)									
BY GENERAL EXPENDITURE :—									
Balance as per last Account, 31st March, 1896 ... ..							964,255	12	0
Further Expenditure for the year ending 31st March, 1897 :—									
Rhodesia Expenditure :—									
Administration Expenses in respect of the following departments :—Administrator, Resident Magistrates, Law, Secretary, Accountant, Mine, Survey, Civil and Native Commissioners, and Northern Rhodesia ...	98,302	11	9						
Postal Service ... ..	12,501	17	0						
Telegraph Department ... ..	16,079	5	5						
Hospitals ... ..	8,649	11	3						
Travelling Expenses ... ..	161	8	6						
Telegraph Construction ... ..	19,498	8	8						
Interest and Discount... ..	600	0	0						
Donations ... ..	1,540	18	11						
Expenses on Goods ... ..	1,952	9	7						
Maintenance—Buildings and Public Works ... ..	4,028	2	3						
Rinderpest Charges ... ..	30,674	9	4						
Agriculture ... ..	659	19	11						
Removal Umtali Township ... ..	47,962	2	5						
Sundry Expenses, including Cables, Telegrams and Postages ... ..	9,218	9	2						
				251,829	14	2			
Salaries, Rent, Cables, Office, and Sundry Expenses—									
Head Office (Receipts, <i>see</i> next page) ... ..	26,911	5	2						
Cape Town Office ... ..	5,105	4	1						
Law Charges, Auditors' Fee and Expenses of obtaining Stock Exchange Quotation ... ..	3,420	0	0						
Directors' Fees ... ..	4,500	0	0						
Interest on Debentures and on Special Advances ... ..	37,062	18	2						
Stamp Duty on 5 per cent. Mortgage Debentures ... ..	6,146	12	3						
Fees of Trustees for the Holders of the 5 per cent. Mortgage Debentures ... ..	315	0	0						
Underwriting Commission on issue of 5 per cent. Mortgage Debentures ... ..	5,825	0	0						
Discount on 5 per cent. Mortgage Debentures... ..	31,250	0	0						
<i>Deduct—</i>									
Rhodesia Revenue for the year ending 31st March, 1897—									
Land Fund ... ..	4,737	10	0						
Stand Sales, Umtali, 1897 ... ..	1,448	15	0						
Postal and Revenue Stamps and Licenses ... ..	42,297	10	1						
Telegraph Revenue ... ..	29,470	17	5						
Postal Revenue ... ..	8,928	3	4						
Quit Rent ... ..	3,880	11	9						
Transfer and other Duty... ..	18,696	4	6						
Mines Revenue ... ..	1,226	9	0						
Hut Tax ... ..	4,736	9	10						
Matabeleland Stock Farm ... ..	4,089	0	6						
Judicial Fines ... ..	3,127	15	6						
Occupation Fees, Registration of Natives and Sundries. ... ..	1,790	1	5						
				124,429	8	4			
Less Survey Government Lands ... ..	1,887	0	11						
				122,542	7	5			
Carried forward	122,542	7	5	372,365	13	10	964,255	12	0
							5,766,967	7	4

BALANCE SHEET, 31st March, 1897—*continued.*

Cr.

	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Brought forward	122,542	7	5	372,365	13	10	961,255	12	0	5,766,967	7	4
BY GENERAL EXPENDITURE ( <i>continued</i> ).												
FURTHER EXPENDITURE for the year ending 31st March, 1897 ( <i>continued</i> ).												
Head Office Receipts (Expenses, <i>see</i> previous page):—												
Registration Fees, Interest, Dividends, Profit on Sale of Consols and Shares and Sale of Stamps, and Sundry Credits...	68,873	12	9									
	<hr/>			191,416	0	2						
							180,949	13	8			
							<hr/>			1,145,205	5	8

NOTE.—The Company has agreed to pay to the Bechuanaland Railway Company, Limited, an annual subsidy of £5,000 for 10 years from the date of opening the Railway for traffic to Gaberones, and a further annual subsidy of £5,000 for 10 years from the date of opening for traffic to Palapye. As security the Company has given a first charge on all its revenues derived from taxes, imposts, and duties.

The Company has guaranteed the interest on the Bechuanaland Railway Company, Limited, 5 per cent. First Mortgage Debentures and Debenture Stock for 20 years, from the 1st November, 1895.

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£6,912,172 13 0

GREY  
GEORGE CAWSTON } *Directors.*

We have to report that we have examined the above Balance Sheet, with the Books and Accounts of the Company in London, and with a Statement of Account received from South Africa. The Balance Sheet is, in our opinion, full and fair, and exhibits a true view of the state of the Company's affairs. The Statement of Account is signed by the Company's Chief Accountant in South Africa, but is not accompanied by full details nor by vouchers for payments. We have verified the Cash and Bank balances and the Shares and Debentures in London. Certificates or documents of title in respect of the Cash and other Assets in South Africa have not been available for production to us in London.

COOPER BROTHERS & Co., } *Auditors.*  
*Chartered Accountants.*

LONDON, 12th April 1898.

No. 4.

MR. C. J. RHODES to COLONIAL OFFICE.

(Received March 27, 1899.)

SIR,

Burlington Hotel, Cork Street, W., March 27, 1899.

I HAVE the honour to refer to my letter of the 17th January last,\* respecting the proposed extension to the North of the Bechuanaland Railway Company's present line, and to previous correspondence upon the same subject.

In the above letter, I submitted for the consideration of Her Majesty's Government alternative proposals based upon the principle that a guarantee of interest upon the capital required for the extension of the line should be given by Her Majesty's Government. As, however, the adoption of either of my previous proposals would appear to present certain difficulties, and, as Her Majesty's Government have already expressed themselves as generally favourable to the suggestion that Imperial assistance should be given to the undertaking, I venture to make the following further proposal:—

I would suggest that the Railway Company's present debenture issue of £2,000,000, bearing interest at 5 per cent. per annum, should be paid off; that a new issue, at par, of debentures to the same amount, redeemable at par, bearing interest at the rate of 2½ per cent. per annum, should be made upon the same security; and that, in lieu of a

\* No. 3.

guarantee of interest upon the capital to be raised for the extension Her Majesty's Government should guarantee the interest upon the above amount, and, in addition, a sinking fund charge at the rate of  $\frac{1}{2}$  per cent. The total liability to be undertaken would thus be 3 per cent. on £2,000,000, or £60,000 per annum. Under these conditions the British South Africa Company would give a similar guarantee of interest and sinking fund charge to which the guarantee to be given by Her Majesty's Government would be additional, and is further prepared to deposit, for a term of years to be agreed upon, the sum of £300,000 in Consols as an insurance against any possible shortfall in the receipts of the line.

In consideration of the above, I will undertake, on behalf of the Bechuanaland Railway Company, Limited, to construct immediately, at its own risk, and without asking for any further guarantee in connection with the undertaking, at a cost of approximately £875,000, the first section of the extension to the North, in regard to which full details were furnished with my letter of the 17th January last,\* the total length of the section to be at least 250 miles.

In support of this proposal, I would point out that the line upon which the debentures to be guaranteed would be secured is in full working order; that the net receipts for the year ending 31st October, 1898, after paying all working expenses—excluding the subsidies paid by Her Majesty's Government, and by the British South Africa Company—amounted to £98,160 13s. 5d.; that all the probabilities, now that the commercial future of Rhodesia is assured, point to a progressive traffic, to which the further extension of the line will necessarily contribute; and that the risk is therefore exceedingly slight of either the British South Africa Company or of Her Majesty's Government being ever called upon to fulfil their guarantees. I would further point out that the line in connection with which the guarantee would be given traverses territory under direct Imperial Administration for almost its entire length; and that, if the Bechuanaland Railway Company had not undertaken its construction, Her Majesty's Government would themselves have been compelled to provide for the whole cost of the railway, in order to promote the development of their own territories.

I have, &c.,

C. J. RHODES.

No. 5.

COLONIAL OFFICE to MR. C. J. RHODES.

SIR,

Downing Street, May 1, 1899.

I am directed by Mr. Secretary Chamberlain to inform you that Her Majesty's Government have had under their consideration your letters of the 17th of January and of the 27th of March last,\* submitting three proposals in regard to the extension northwards of the Bechuanaland Railway, to which Her Majesty's Government are invited to lend their assistance.

The first proposal is that the sum of £900,000, which it is estimated will be required for the construction of the first section of the extension (250 miles at an average cost of £3,500 per mile) shall be raised by an issue at par of debentures redeemable at par bearing interest at  $2\frac{1}{2}$  per cent.; that the interest on the debentures together with a further 1 per cent. for sinking fund shall be guaranteed by the British South Africa Company for a period of  $50\frac{3}{4}$  years, and that, in addition, a guarantee of the  $3\frac{1}{2}$  per cent. required for interest and sinking fund shall be given by Her Majesty's Government.

The second proposal is that the Bechuanaland Railway Company should exercise its option to redeem at 5 per cent. premium its present issue of £2,000,000 debentures which bear interest at 5 per cent., that a fresh issue of £3,000,000 debentures bearing  $2\frac{1}{2}$  per cent. interest should be made to provide (1) the £900,000 required for the new section, and (2) the £2,100,000 required for the redemption of the present £2,000,000 issue; that a guarantee of interest at the rate of  $2\frac{1}{2}$  per cent., and of 1 per cent. for sinking fund should be given by the British South Africa Company for a period of  $50\frac{3}{4}$  years upon the whole £3,000,000 issue of debentures, and that in addition a guarantee of interest and sinking fund to the same amount should be given by Her Majesty's Government.

\* Nos. 3 and 4.

The third proposal is that, in lieu of a guarantee of interest upon the capital to be raised for the extension, Her Majesty's Government should guarantee interest at  $2\frac{1}{2}$  per cent. and sinking fund charge at  $\frac{1}{2}$  per cent. upon a new issue of debentures which would be made by the Railway Company to pay off the present debenture issue of £2,000,000, the guarantee of Her Majesty's Government to be additional to a similar guarantee on the part of the British South Africa Company, which would deposit £300,000 in consols as insurance against any shortfall in the receipts of the line. The Railway Company to undertake to construct immediately, at its own risk, the first section of the extension to the North of a total length of at least 250 miles.

Mr. Chamberlain desires me to inform you that Her Majesty's Government are not able to accept any one of these proposals.

Their main objections are as follows :—

In the first place I am to say, without entering into financial details, that Her Majesty's Government consider that while they would incur a certain risk, no adequate financial advantage would accrue to them under any of the proposals. The line of Railway which is the subject of the proposed guarantee in each case would in the end belong exclusively to the original shareholders of the Bechuanaland Railway Company, who subscribed a total capital of £6,000.

In the second place, there is no provision that the Cape Government should participate in the guarantee, though that Government is greatly interested in the matter, looking to the direct practical advantages which may be expected to accrue to the Colony from the traffic which will flow between the North and the sea over its railway system. I am to remind you that in the letter from this Department of the 28th of July last\* you were informed that Mr. Chamberlain considered that evidence of substantial co-operation on the part of the Cape Government should be a first condition of any assistance to be rendered by Her Majesty's Government.

On the other hand, as already stated in the letter just referred to, Her Majesty's Government recognise that the request for their assistance is recommended by the consideration that the ultimate responsibility for the peace, order, and good administration of the territories to the North and North-West of the Bechuanaland Protectorate rests with them, and that the establishment of communications by means of a railway is the most advantageous and most economical means of securing these objects, as well as the only way of developing these territories for trade and commerce, and of ultimately rendering them self supporting.

In these circumstances, Mr. Chamberlain desires me to say that Her Majesty's Government are prepared to make a provisional proposal in the following terms :—

1. Her Majesty's Government to lend to the Bechuanaland Railway Company £2,100,000 for the redemption, at a premium of 5 per cent., of the existing issue of £2,000,000 5 per cent. debentures. Such loan to be subject to information as to the amount of the debentures issued, and to evidence that any debt of the Bechuanaland Railway Company to the British South Africa Company is only a second charge.

2. Interest to be fixed at  $2\frac{3}{4}$  per cent., and sinking fund at  $\frac{3}{4}$  per cent.

3. Interest and sinking fund to be a first charge on the profits of the existing railway from Vryburg to Buluwayo, such profits including net earnings and the subsidies receivable from the Protectorate Government and the British South Africa Company under the Railway Contract of 3rd August, 1894.

4. No guarantee will be required from the British South Africa Company.

5. The above arrangement to be conditional on a guarantee by the Cape Government to pay, for the period of the currency of the loan, one-third of any deficiency which may at any time exist in the annual payment of interest and sinking fund.

6. The ordinary shareholders of the Bechuanaland Railway Company to contract that, at the expiry of the period of repayment, the railway from Vryburg to Buluwayo shall become the joint property of Her Majesty's Government and the Cape Government, in the proportion of two-thirds and one-third, on payment to the shareholders of the sum of £100,000 by the respective Governments in the same proportions.

7. Provided that, if a federation of South African Colonies should be established at any time during the currency of this arrangement, such federation shall have the option of taking over this agreement on payment to Her Majesty's Government of any expenses incurred by them, and of any part of the principal sum then outstanding, with

any arrears of interest, and on releasing the Cape Government from its guarantee, and repaying to them any sums which may have been expended by them in connexion with their guarantee.

8. If the profits of the line should exceed the sum payable for interest and instalments on the loan from Her Majesty's Government, and for interest on further debentures issued for the proposed extension to the Zambesi, such excess shall be expended or reserved for extensions of the line or for increase of its rolling stock and equipment.

9. The Bechuanaland Railway Company to agree to make the proposed extension to the Zambesi, and to deposit £300,000 in consols until the extension is completed, as a guarantee for the fulfilment of this condition.

If these preliminary conditions are agreed to by the Bechuanaland Railway Company, there will remain some questions of detail to be determined by subsequent discussion.

I am to add that it must be clearly understood that in thus offering to undertake responsibility in connexion with a line which lies mainly within territory under their direct administration, Her Majesty's Government are in no way committed to supporting further extensions of the railway.

I am, &c.,  
FRED. GRAHAM.

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No. 6.

MR. C. J. RHODES to COLONIAL OFFICE.

(Received May 11, 1899.)

Burlington Hotel, Cork Street,

London, W., 9th May, 1899.

SIR,

I HAVE the honour to acknowledge receipt of your letter of the 1st instant,\* intimating that Her Majesty's Government are not able to accept any one of the three proposals submitted in my letters of the 17th January and of the 27th March last, in regard to the extension northwards of the Bechuanaland Railway to which Her Majesty's Government were invited to lend their assistance.

I regret that Her Majesty's Government do not now see their way to support any one of these proposals. I was led to expect by the terms of your letter of 28th July, 1898,† that Her Majesty's Government would be prepared to consider favourably a scheme previously submitted in my letter of the 28th April, 1898.‡ which was practically identical in its main outlines with the proposal contained in the fourth paragraph of my letter of 17th January last.§ In the year that has elapsed since my original proposal of 28th April, 1898,‡ and your favourable reply of 28th July, 1898,† the payability of the line to Bulawayo has been demonstrated, the gold prospects of Rhodesia have become assured, and the finances of the British South Africa Company have been immensely strengthened. The fullest information has been supplied. From a financial standpoint I would submit that the bulk of the objections which formerly, perhaps, might have been fairly raised to the granting of my request, can no longer be urged, and I find it hard to reconcile the present decision with the previous attitude of Her Majesty's Government.

In regard to the provisional counter-proposal which is set forth in your letter under reply, I am in a position to state that the Directors of the British South Africa Company, whilst recognising that in the event of the federation the railway might ultimately be vested in the Federal Government of South Africa, and, whilst prepared to agree that in case federation should not be established the reversion of the line might belong, on certain conditions, to Her Majesty's Government and Rhodesia, are not disposed to accept the substitution of the Cape Colony for Rhodesia as the ultimate part-owner of the line. They also think that, in view of the present position of the British South Africa Company, its guarantee should be ample, and that there is no necessity to ask for a partial guarantee from the Cape Colony. The Company has now in hand for administrative and other purposes a sum of £2,000,000. It has also raised during the last month for railway development a further sum of £3,000,000, and, in addition, the money for the extension of the line to Tanganyika is also now practically assured. Independently of the Company the sum of about £2,000,000 has been raised lately by various Mining Companies for expenditure in Rhodesia, affording striking proof of the confidence of investors in its future.

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\* No. 5.

† No. 2.

‡ No. 1.

§ No. 3.

I think that, with these facts before them, the guarantee of the British South Africa Company should have been considered ample by Her Majesty's Government, without resort to the Cape Colony. I do not think that Rhodesia should place itself under an obligation to the Cape Colony by asking for a guarantee, with the risk of a refusal which would place it and Her Majesty's Government in an absolutely false position. Further, I am convinced that the participation of the Cape Colony in the undertaking would lead to many complications in the future, should federation of the various States of South Africa not be accomplished. The future is at present uncertain, and it must be remembered that the question of the destination of the railway would only arise after 60 years, when the sinking fund would have redeemed the loan.

I am further in a position to state that the financial objections to the scheme from the point of view of the Bechuanaland Railway Company, Limited, are also vital. The Board of that Company points out that, under Clause 8 of the proposal, all the profits of the line are to be devoted to its extension or improvement; that for 60 years the shareholders are to get no profits; and that, after that time, the whole of their rights are to be purchased for £100,000. As shares representing one-third of the share capital are in the hands of independent shareholders, at a present market value of £120,000, they are unable to understand on what grounds Her Majesty's Government expect the shareholders to consent to hand over their whole property after 60 years for £100,000, and to receive no profits in the meantime.

I have, &c.,

C. J. RHODES.





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