REPUBLIC OF KENYA

Sessional Paper No. 1 of 1971

KENYA GOVERNMENT GUARANTEE FOR A LOAN TO THE KENATCO TRANSPORT COMPANY LIMITED BY THE KENYA COMMERCIAL BANK LIMITED

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1. In accordance with the Provisions of the Guarantee (Loans) Act (Cap. 461) the following information is laid before the National Assembly relating to a guarantee which the Government proposes to give to the Kenya Commercial Bank Limited in respect of a loan of K£129,000 to the Kenatco Transport company Limited for the purpose of purchasing 36 heavy transport vehicles from D.T. Dobie (E.A.) Ltd.

2. Kenatco Transport Company Limited is 90 per cent Government owned Company and was incorporated in 1966. The main objective in starting this Company was to develop a viable transport system which would eventually be owned and managed by citizens of this nation. As of today, the Company has so far concentrated on two main lines of operation, i.e. long road haulage and taxis service. Plans are, however, well in mind for branching into other lines, e.g. passenger bus service, motor vehicle sales and repairs, etc., as and when operation into these lines become feasible.

3. In pursuance of its projected programme of developing long haulage operations, Kenatco has negotiated with D.T. Dobie (E.A.) Ltd., for the acquisition of 36 heavy transport vehicles valued at K£248,400. Kenatco has already paid K£119,400 leaving a balance of K£129,000 which the Company is now required to pay.

Due to recent reorganization, however, Kenatco has spent considerable sums of money on expansion and does not have, at the moment, ready money to clear off the balance of K£129,000. The Company has, however, made an approach to the Kenya Commercial Bank for a loan of K£129,000 and which the Bank has agreed to lend subject to the following terms.

(i) The loan is to be repaid over 30 equal monthly instalments viz—at K£4,300 per month or K.Sh. 86,000 per month.

(ii) Interest is to be charged at the rate of 8 per cent p.a. and payable monthly on reducing balance.

(iii) Government guarantee to be given.

(iv) Repayment of both capital and interest to commence on 31st December, 1970.

Parliament is now requested to agree that Kenya Government extend to the Commercial Bank Limited the required guarantee of payment of the principal sum and interest thereon in respect of a loan of K£129,000.

4. The current total contingent liability of Kenya Government in respect of guarantees given under section 3 of the Guarantee (Loans) Act (other than those specified in the Schedule to the Act) amounts to K£57,812,674. With the guarantee of K£129,000 proposed by this Sessional Paper the aggregate will be increased to K£57,941,674 of which K£15,774,560 will fall within paragraph (*a*) and K£42,167,114 within paragraph (*b*) of section 3 (3) of the Act.

Ministry of Commerce and Industry,
NAIROBI.

January, 1971.

GPK 1183—200—5/71