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REPUBLIC OF KENYA

Sessional Paper No. 10 of 1970

**KENYA GOVERNMENT GUARANTEE OF CREDITS TO THE
EAST AFRICAN AIRWAYS CORPORATION BY THE EXPORT-
IMPORT BANK OF THE UNITED STATES AND THE
McDONNELL DOUGLAS CORPORATION IN RESPECT OF THE
PURCHASE OF THREE DC-9 AIRCRAFT**

KENYA GOVERNMENT GUARANTEE OF CREDITS TO THE EAST AFRICAN AIRWAYS CORPORATION BY THE EXPORT-IMPORT BANK OF THE UNITED STATES AND THE McDONNELL DOUGLAS CORPORATION IN RESPECT OF THE PURCHASE OF THREE DC-9 AIRCRAFT.

THE LOANS (GUARANTEE) ACT 1966

In accordance with section 5 of the Loans (Guarantee) Act 1966 the following information is laid before the National Assembly in connexion with a proposed guarantee by the Government of one-third of the obligations of the East African Airways Corporation in respect of a total credit of US \$ 7,087,500, the equivalent of approximately K.Sh. 50,604,750, by the Export Bank of the United States and of US \$ 787,500 the equivalent approximately of K.Sh. 5,622,750 by the McDonnell Douglas Corporation, aggregating to US \$ 7,875,000 the equivalent approximately of K.Sh. 56,227,500, to be used in part payment of the purchase price of three DC-9 aircraft from the Mc Donnell Douglas Corporation.

Consequent on the necessity of withdrawing from service the De Havilland Comet Aircraft and in order to provide adequate capacity on the major domestic and regional services operated by the East African Airways Corporation it has become necessary to purchase three modern aircraft. After a series of studies conducted by the Corporation and after obtaining an independent assessment of requirements by a study team from the Japanese National Airline it was decided to purchase three modern generation aircraft. With the approval of Communications Council an order for the Aircraft has been placed with the McDonnell Aircraft Corporation of the United States of America and they will shortly be introduced into service. Their advent should greatly improve the frequency, regularity and punctuality of the services provided by the Corporation on the East African trunk routes.

It has been agreed that the purchase can best be financed by seeking from the Export-Import Bank of the United States and the manufacturer a credit as to forty-five per cent of the total purchase price of the aircraft and related spare parts and equipments, aggregating to US \$ 7,875,000 the balance of the purchase price being obtained by means of a loan from a consortium of East African Banks.

The credits extended by the Export-Import Bank of the United States and the McDonnell Douglas Corporation will carry an interest rate of 6 per cent per annum on the unpaid principal balance from time to time outstanding, such interest to be due and payable on May 15th and November 15th of each year beginning with the first of such dates following the first disbursement under the credits. The repayment of the principals of the credits will be made in ten approximately equal successive semi-annual instalments each of which shall be in the amount of US \$ 787,500 and the first of which shall be due and payable on May 15th, 1976, subject to such adjustment as may be necessary consequent on any change in the total cost of these purchases.

The total credits from the Export-Import Bank of the United States and the McDonnell Douglas Corporation are required to be guaranteed one-third each by the Governments of Kenya, Tanzania and Uganda. Having regard to the nature and purpose of the purchases it is right and proper that such guarantees should be given by the three Governments.

The current total contingent liabilities of Kenya Government in respect of guarantees given under section 3 of the Loans (Guarantee) Act 1966 (other than those specified in the Schedule of the Act) and inclusive of those sought to be given in accordance with Sessional Paper No. 9 of 1970 amounts to K£64,218,174. With the proposed credit guarantees of one-third of K£2,811,375 above mentioned amounting to K£937,125 the aggregate will be increased to K£65,155,299 of which K£21,487,674 will fall within paragraph (a) and K£43,667,625 within paragraph (b) of section 3 (3) of the Act.

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