

CONFIDENTIAL.

MAI/GEN/7#4

SECRETARIAT

(Formerly)

03 27/IV	03 27/IV

MAIL CONTRACT.

[Contract of fo. 701]

CONNECTED FILES.

NUMBER

--

577

* The remaining copies shd. be carefully preserved ~~also~~ - perhaps in an envelope at b.c. of a new vol.?

27.8.58.

518

* Remaining copies of Mail Contract kept in Chief Clerk's cupboard in Secretariat

27/8/58.

Good R.

27.8.58

No.

It is requested that, in any reference to this memorandum the above number and date should be quoted.



MEMORANDUM

5th September, 19 58.

From.

Superintendent Posts & Telegraphs Dept.,

Stanley.

To. The Honourable
The Colonial Secretary.

Stanley, Falkland Islands.

SUBJECT:- Mail Contracts.

The Manager, Falkland Islands Co Ltd, has submitted that their Head Office in London states the G.P.O. has agreed to pay UK/Montevideo rates for mails carried per charter vessels UK/Stanley, viz.,

Letter mail 260/- per cubic ton of 16 bags.

Parcel mail 180/- 9 .. .

Empty bag mail 180/- 18 .. .

He also suggests it would be equitable for this department to make a token payment to the Company for the Montevideo/Stanley portion of the route southward, and at the rates quoted above, plus 88/- per ton for mails carried per their vessel Stanley/U.K.

The A.E.S. on her last voyage from the U.K. to Stanley, brought 39 bags of parcels and 25 bags of letters and papers. The cost based on the 88/- per ton rate quoted above will be £25. 15. 8. However, before replying to the Falkland Is Co Ltd, I would appreciate your direction ^{on} the question of making this payment in view of the agreement with the Company for the carriage of mails. The Company will claim on all mails carried into or leaving the Colony and I am not clear whether these claims are rightly additional to the existing subsidy.

A. Mercer
Superintendent P & T.

*See early pc
li. 10/9*

7E.

f. 519, the main contract does not apply in this case.

2. I have discussed with S.P.O.T. and we are at a loss to understand why G.P.O. has agreed to pay only the U.K. Montevideo rates on mail addressed to the Colony. Before considering any "Coker payment" to the F.I.C. for the Montevideo - Stanley part of the voyage, S.P.O.T. and I are of the opinion that the G.P.O. should be asked why they pay only as far as Montevideo. (The A.E.S. does not call there on the way out).
3. I have asked Mr Barton what figure he has in mind by way of "Coker payment". He has no suggestions and asked what sum Government would consider fair. I informed him that the matter had not been considered and that the first step would probably be as suggested in para 2 above.
4. We would, of course, have to pay for the mails taken to the U.K.

521.

B. 11/9/58.

HAGS.

The reason for G.P.O. agreeing to pay to Montevideo only is ^{because} presumably that is all they wd. have to pay if they sent the mail by the normal route & not by the A.E.S.

Let us discuss.

A. 12.9.58

522

520-521 discussed with the Since we are
not charged for onward transmission of ^{letter} mail
from Lintinides to U.K. by Royal Mail lines,
it is better to let sleeping dogs lie, rather
than ask G.P.O. to pay all charges to Stanley
when mails are brought from the U.K. in the
A.E.S. I will talk to Mr. Barton and see
if he will drop the question of a token payment
for the Lintinides. Stanley portion of the sum
when mails come in the A.E.S.

* /

523

B. 15/9/58

S.P. & T.
~~He~~ I have spoken to Mr. Barton about X & 522.
He is quite happy to let the question of a token
payment drop unless he hears further from Head
Office.

B. 16/9/58

524

Ken C.S.
Thank you.

AM 58
— 1. 10. 58.

A.G.T.
3/10/58

pe

525

The Falkland Islands Company, Limited.

(INCORPORATED BY ROYAL CHARTER 1851.)

REGISTERED 1902.

AGENTS FOR LLOYDS.

TELEGRAMS "FLEETWING PORTSTANLEY" VIA RADIO.

Stanley.

29th November, 1958.

Sir,

EAST JETTY - WHARFAGE.

283 in
0327/11

We beg to refer you to our letter of 2nd December, 1955 under the heading of 'Mail Contract' in which we informed you that we proposed to introduce Wharfage or Landing Charges of 7/6d per ton weight/measurement on all cargo landed ex our vessels at Stanley from Overseas.

This charge superseded the previous one of 10/- per ton weight/measurement on cargo ex South American ports only, cargo from United Kingdom ports or elsewhere being landed free. Then, and now, the charge for landing and re-shipping Clients' cargo was 15/-s per ton weight/measurement and we do not propose to alter it at this juncture.

A | We do, however, feel there is justification for increasing Wharfage charges on cargo landed for consignees in Stanley from 7/6d to 11/8d per ton weight/measurement as from 1st January, 1959 and for a corresponding increase in that portion of the Mail Subsidy which is recovered by Government by way of freedom from Landing Charges (see para. 7 of Mail Contract).

B | The Company has spent in excess of £40,000 extending the East Jetty seawards 50 feet by it's entire width and renewing and widening the inshore sections as a result of which motor transport can load and discharge cargo at ship's side. It is only on rare occasions that we now have to put cargo overside into lighters, thus Consignees in Stanley receive their cargo much sooner than before, and in better condition.

The corresponding charge in Montevideo for similar wharfage facilities averages out at approximately 30/- per ton weight measurement compared with 7/6d in Stanley, of which our Stevedores receive 5/6d in accordance with the terms of the Jetty Contract, for discharge and loading, leaving only

The Honourable
The Colonial Secretary,
Stanley.

Reply at 532

2/- per ton to offset against capital outlay, maintenance and normal overheads. When not employed on contract our Jetty or Lighterage Gang receives an hourly wage of 2/10d compared with 2/4d in 1955.

The increase which we seek is relatively small and will make a difference of 5d on a bag of flour (70 ks.) costing 38/5d - 3d on pollard costing 13/9d - 2d on a case of whisky and 9d on a bag of sugar (1 cwt.), therefore the influence on the Cost of Living will be negligible.

I am,
Sir,
your obedient servant,

A. G. Barton

Manager.

Y.E.

pts. 525-6. I don't like the proposal at 'A' to increase wharfage charges since it must have some effect, however slight, on the cost of living, but on reading the Haier Contract it would appear that we have no jurisdiction. Freight rules are laid down in para 5(a) of the Second Schedule to the Contract but these are exclusive of wharfage and/or transshipment charges wherever incurred. I think we must approve but point out that we would view with concern any increase in the cost of living that might arise from increased wharfage charges.

2. 'B' is a different matter. I spoke to Mr. Baton this morning and he was under the impression that one of the reasons ^{why} we agreed to increase the Haier subsidy was that we would be saving £x a year by not paying wharfage charges on Government cargo (para 7 of the Haier Contract refers). This is not so, however, since a similar para exempting Government from wharfage charges appeared in the 1937 Haier Contract. Mr. Baton has, therefore, agreed to withdraw the request at 'B'.

528.

H. 2/12/58

HAGS.

Since we have no jurisdiction as far as wharfage is concerned, I think we must be careful not to "approve" the proposed increase. Pl. draft reply & then discuss.

H. 2.12.58.

529

Y.E. Draft at 6.11.

R. 3/12/58

The Falkland Islands Company, Limited.

° (INCORPORATED BY ROYAL CHARTER 1851.) °

REGISTERED 1902.

AGENTS FOR LLOYDS.

TELEGRAMS "FLEETWING PORTSTANLEY" VIA RADIO.

Stanley,

4th December, 1958.



Sir,

Further to our letter of 29th ulto. and telephone conversation of yesterday, we regret that our third paragraph contains an inaccuracy relating to Landing Charges.

2. Previous to 1955 there were no Landing Charges or Wharfage except on cargo ex South America in which Government was not specially concerned. The main concessions to Government were the rebate of 25% on bona fide Government passages and freight and when the new Mail Contract was under discussion, the Company sought to cancel them. Government was unwilling to do so but agreed to increase the Mail Subsidy by £1,200 to £13,200.

3. £1,200 represented the average value of Rebates over the previous 5 years 1950/54, but for the three years 1955/57 the average value to Government has risen to £1,939 per annum.

4. 'Wharfage' is only indirectly mentioned in the Main Contract (Section 5 (a) of the Second Schedule) it is not quoted at a rate per ton as for freight, and strictly speaking we think we could apply an increase or decrease without reference to Government.

5. Reverting to our earlier letter please now read for the latter part of paragraph 3 ".....and for a corresponding increase in that portion of the Mail Subsidy which is said to offset rebates due to Government under Sections 6 (a) and 7 of the Mail Contract." This re-wording may still seem incorrect to you but it is undeniable that the estimate of £1,200 was based on the saving to Government resulting in rebates on freight and passages, plus freedom from Landing Charges. Since "Darwin" came into service freight and passages have increased, Landing Charges have been extended, and it would seem that rebates to Government for 1958 will exceed the average for the three previous years.

I am,
Sir,
your obedient servant,

A. G. Barton
Manager.

The Honourable
The Colonial Secretary,
Stanley.

Ack'd
JRM
4/12/58

531
Secretary

Reply at 533.

Before the letter at b.c. was sent to Mr. Barton f.530 came in.

f.264.
f.265

2. It is correct that prior to 1955 there were no landing charges or wharfage except on cargo ex South America. When the new Mail Contract was being negotiated in 1955 the subsidy was to have been £12,000. This was approved by Executive Council on the 7th April, 1955. On the 28th April, 1955, a letter was received from the Colonial Manager quoting a telegram received from his Head Office mentioning £12,000 as being the subsidy but with no rebates i.e. the 25% rebate on Government passages and cargo (Clause 5 of the 1937 Agreement at f.211 in 0327/II. Clause 6 of the same Agreement exempted Government from the payment of landing charges). Government's reply to the Falkland Islands Company is at f.272. The facts were set out in an Executive Council Memorandum at f. 275 and the Executive Council decision is at f.278.


3. Wharfage was brought up at f. 283 and the Company said that although it was not mentioned in the contract (draft) it might be necessary to include it. However, the matter does not appear to have been pursued.

4. Another meeting of Executive Council with Mr. Young in attendance is recorded at f.302. The amount of the subsidy was agreed at £13,200. While no reason is given for the increase from £12,000 it was probably to offset the value of the 25% rebate on Government passages and cargo, provision for which was reinserted in the draft contract. This fits in with the annual value to Government of the rebate over the period 1950-54 which averaged £1,291 per annum.

5. Mr. Barton says in paragraph 3 of f.530 that the annual value of the rebate during 1955/57 has risen to £1,939. The Treasury is checking this figure but I think we can accept it as being reasonably correct. But this new figure means nothing and cannot in itself be used as an argument for increasing the Mail Subsidy. If Government passages and cargo were reduced and the value of the rebate fell below £1,200 a year I don't think we would expect a corresponding reduction in the subsidy.

6. I cannot agree with Mr. Barton that the estimate of £1,200 a year was based on the saving to Government resulting from the rebates on freight and passages plus freedom from landing charges for the reason that Government has never paid landing charges (Clause 6 of the old Contract at f.211 and Clause 7 of the new contract at f.513). Even if Mr. Barton was correct in his contention he must surely realise that there is no provision in the contract to vary the subsidy on the grounds he has put forward.

7. I have drafted at b.c. a consolidated reply to both letters received from the Falkland Islands Company.


5.12.58

SGT/MF

9 12 58

10th December,

58.

S'

530 I am directed to refer to your letters of the 29th November and 4th December, regarding the proposed increase in wharfage charges on cargo landed for consignees in Stanley from 7/6d to 11/3d per ton weight/measurement with effect from 1st January, 1959. 525.

2. Since wharfage charges are not specifically laid down in the Mail Contract, Government has no jurisdiction in the matter and any increase rests entirely at the discretion of the Falkland Islands Company. I am to say, however, that your courtesy in advising Government in advance of the proposed increase is much appreciated, but you will no doubt understand that Government must view with concern any increase, however small, which may affect the cost of living.

3. With regard to the final paragraph of your first letter, as amended by your letter of the 4th December, you will recall that when the present Mail Contract was being negotiated, the original subsidy was to have been £12,000 per annum. This was agreed at the time in Executive Council, but subsequently your then Chairman wished to abolish the rebate of 25%, previously provided for in the 1937 Mail Contract, on Government passages and cargo. It was estimated at that time that the actual value of this rebate on passages and cargo amounted to about £1,200 per annum. Your Chairman attended a meeting of Executive Council held on the 14th January, 1956, when the proposed increase in freight rates and the new Mail Contract were discussed at length. It was agreed that the subsidy should be increased from £12,000 to £13,120 per annum, the increase of £1,200 being equal to the value of the 25% rebate on passages and cargo over the five-year period 1950-1954. It does not appear that the question of Landing Charges entered into the matter. Exemption from the payment of Landing Charges by Government was included in the Mail Contract of 1937 and a similar provision is contained in the current Contract. In the same way the Company was exempted under the 1937 Contract from the payment of port tonnage, wharfage and light dues and this exemption is continued under the present contract.

4. While it is not disputed that the average value to Government of the 25% rebate on passages and cargo may have increased during the period 1955/57, it can be argued that the Company have benefited by the increased revenue received from Government by way of additional passages and cargo. Had the position been reversed and the average value of the rebate fallen to a figure below £1,200 a year, Government would not expect the Company to reduce the mail subsidy by an equivalent amount. It is regretted, therefore, that since there is no provision in the Contract for any variation in the subsidy arising out of increased wharfage rates, Government is unable to accede to your request that the subsidy be increased.

I am,
Sir,
Your obedient servant,

(Sgd) S. G. Trees.

ACTING COLONIAL SECRETARY.

The Colonial Manager,
Falkland Islands Company Limited,
STANLEY.

Reply at 534.

534

The Falkland Islands Company, Limited.

(INCORPORATED BY ROYAL CHARTER 1851.)

REGISTERED 1902.

AGENTS FOR LLOYDS.

TELEGRAMS "FLEETWING PORTSTANLEY" VIA RADIO.

Stanley,

17th December, 1958.



533

Sir,

Thank you for your letter of 10th inst., Ref.0327/IV, on the subject of wharfage. We propose to advise importers of the increased rate shortly, to take effect from 1st February, 1959 not 1st January as previously stated.

When the first full year's operating costs of "Darwin" are known we may have to refer to your fourth paragraph again. Receipts from Wharfage or Landing Charges are credited to the ship concerned, and the ship pays the cost of discharging cargo in addition to a nominal charge per annum for use of Jetty facilities. The proposed increase in wharfage will not cover the increased cost of Jetty labour employed in discharge operations.

I am,

Sir,

your obedient servant,

A.G. Barton

Manager.

The Honourable
The Colonial Secretary,
Stanley.

535

*On file
22/12/58*

536

Note. Await further developments.

I shall be very interested to see the results of the first year's workings of the Tariff. I have a feeling they will be startling. 23/12/58.

By 31/3/59

0327/ 537

The Falkland Islands Company, Limited.

° (INCORPORATED BY ROYAL CHARTER 1851.) °

REGISTERED 1902.

AGENTS FOR LLOYDS.

TELEGRAMS "FLEETWING PORTSTANLEY" VIA RADIO.



Stanley,

3rd January

1959

The Hon. The Colonial Secretary,
Colonial Secretary's Office,
Stanley.

Dear Sir,

We have found it necessary to increase our wharfage charges levied on cargo handled over our East Jetty, and to keep you informed, we append our notice to shippers :

CIRCULAR TO IMPORTERS AND EXPORTERS OF CARGO - WHARFAGE.

"With effect from 1st February 1959, Wharfage or Landing Charges on all cargo consigned to Stanley from Overseas and vice versa (Government cargo excepted) will be increased from 7/6d per ton weight or measurement to 11/8d.

"Double Handling" Charges for cargo consigned in transit from Overseas to destinations outside Stanley and vice versa will remain at 15/- per ton weight or measurement."

Yours faithfully,

The Falkland Islands Trading Company Limited,

A. G. Barton

Colonial Manager.

538
Ack'd
J 8/1/59

/HEP.

Bee 31/1/59

Supt. P. & T.

You were getting out some costings and information as to whether funds are available to meet the proposition that Government should pay the F.I.C. 88/- per ton for mails carried by P.E.S. Stanley/U.K. What is the present position?

B. J. J.
9.2.59.

539.

Hon. Col. Sec.

The mails carried by "PES" Stanley to UK are as detailed below:-

14 Jan 1958.	3 bags letters	4 parcels	22 empties
18 July "	11 "	7 "	27 "
11 Oct. "	5 "	8 "	" "
9 Jan. 1959.	5 "	4 "	14 "
	<u>24</u>	<u>23</u>	<u>63</u>

At the rates quoted:-

Letters 260/- + 88/- per cubic ton of 16 bags.
 Parcels 180/- + 88/- " " " 9 bags
 Empties 180/- + 88/- " " " 18 bags.

then the total cost will be:-

Letters $1\frac{1}{2}$ tons @ 348/- = £26- 2- 0
 Parcels $2\frac{5}{9}$ " " 268/- = £34- 4- 10
 Empties $3\frac{1}{2}$ " " 268/- = £46- 18- -
 Total £107 4 10

We have quite a number of airmail accounts outstanding for the current year which may be presented for payment before 30th June 1959. but at the moment, having not received the bills, it is difficult to say within fifty pounds what the accounts will amount to, and to make the above payment to the F.I.C. may require a special warrant. There may be a further carriage of mails by the PES too before the 30th June.

AM. SP.

10.2.59.

540

C.T.

m. 539. and related papers.

I think we had better go to S.F.C. on this one. If you agree will you note for the next meeting.

Papers should then go back to ACS to advise F.I.C. & Supl. P.M.T., what action we are taking.

L.H.T.

17.2.59

541

A.C.T. Re. note 540 for next S.F.C. & pass file to ACS.

J. 18/1/59

ACS.

542

To you, please

L.H.

543, 19/2/59

See

We do not appear to have any comes. from F.I.C. on the subject, it will therefore be in order to refer to the 'proposition' as in draft of U.C. re?

J.
19/2/59,

544.

A.C.S.

Draft will meet the case admirably but I suggest you might refer to the letter F.I.C. wrote to P.M. Also pl. check the amount per ton - I used that as one figure in my m. 538 - but there is a scale in the P.M.'s correspondence.

P. M.

545

544. Would you pl. check the rate
per ton & give me the ref. to FIC letter

J

20/2/59.

A.C.S.

546.

547

Letter from F.I.C. attached - a copy has
been taken for our file.

The reference to 88/- per ton is misleading.
What the FIC are asking for is 348/- p.t. on letters
and 268/- on parcels & empties. See X at 539.

J. J. J.
27.2.59

The Falkland Islands Company, Limited.

(INCORPORATED BY ROYAL CHARTER 1851.)

REGISTERED 1902.

AGENTS FOR LLOYDS.

TELEGRAMS "FLEETWING PORTSTANLEY" VIA RADIO.

Stanley,

27th. August

1958

The Superintendent,
Posts & Telegraphs,
Stanley.

Dear Sir,

Our Head Office informs us that G.P.O. London have agreed to pay U.K./Montevideo rates for mails carried per Charter Vessel U.K./Stanley viz.

Letter Mail	260/-	per cubic ton of 16 bags
Parcel Mail	180/-	" " " " 9 "
Empty Bag Mail	180/-	" " " " 18 "

We suggest to you that it would be equitable to make us a token payment for the Montevideo/Stanley portion of the route southward, and at the rates quoted above plus 88/- per ton for mails carried per our vessel Stanley/U.K.

Yours faithfully,

A.G. Barton

Manager.

548.

See 510

See

544 with 546 + 547.

Yes 88/- is wrong & I have deleted from letters to F.I.C. accy.

2. I.v.o. 523 I have not mentioned the 'token payment' in letter to F.I.C.

5/6/59

Reply at 551.

A.C.S.

Letter at b.c. can go out. Then pl. pass the papers
to the A.C.T. who will want to note all the matters for
the next S.F.C.

A.C.S.

549

I think we are at cross purposes here. In the
light of J. 547, X in m. 539 is I think quite wrong.
Please discontinue. The letter at b.c. can, however, issue.

A.C.T.
2.3.59

Office

550

Issue letter at b.c. & then
file back to me pl

D
3/1/59

1201-1995

5th March,

59

Sir,

547. I am directed to refer to your letter of the 27th August, 1958, addressed to the Superintendent Posts and Telegraphs suggesting that Government should pay the Falkland Islands Company for mails carried by "A.E.S." from the Colony to the United Kingdom and to inform you that the matter will be considered at the next meeting of the Standing Finance Committee.

I am,

Sir,

Your obedient servant,

(Sgd.) J. Bound.

COLONIAL SECRETARY

for

The Manager,
Falkland Islands Co. Ltd.,

STANLEY

JB/MP

Copy to: Supt. Posts and Tels.

KIV 550

108
yes

552

Reverse.

S.F.C. app'd. & we shd. inform F.C. accu.?

20/2/59.

F.C.

A.C.S.

553

You pl. advise them and ask them to
bill the Puget P.A.T. - Copy to Puget P.A.T who
will by then have been told by C.T. that he
can have the money.

C.G.T.
21.3.59.

554

yes

A point that has to be decided
is do we pay from the commencement
of "AES" voyages from here or from
the voyage coming up at the end
of this month?

20/2/59.

555

A.C.S.

Surely we asked S.F.C. for the money to pay from the beginning as set out and detailed in m. 539.

C.G.F.

22.3.59.

556

A.I.

556.
559

This is the case?

Q

22.3.59

Hon. G.A.

557

Mr. Jones put the case to A.F.C. and although this file was not so hard he reckoned that £135 would be required up to 30/6/59. This sum obviously includes the charges detailed at 539 which are all that have been incurred since the "A.E.S." came into service.

L.G.

24/3/59.

The Falkland Islands Company, Limited.

(INCORPORATED BY ROYAL CHARTER 1851.)

REGISTERED 1902.

AGENTS FOR LLOYDS

TELEGRAMS "FLEETWING PORT STANLEY" VIA RADIO.



Stanley,

25th April

1959.

The Hon. The Colonial Secretary,
Colonial Secretary's Office,
Stanley.

Dear Sir,

It is with regret that we must submit this our application for the reconsideration of the concessional freight rate made to Government Departments on the shipment of empty drums to Montevideo. For some years the rate of 3/8d has been applied, against the rate of 5/- per drum charged to other shippers.

We are appending a statement showing total freight earned on Northbound Voyages together with discharge costs in Montevideo over the period of six months, from which it is evident that the present rate does not even cover the cost of discharge.

We feel that we must charge the full rate of 5/- on the next Government shipments, while we review the position more closely.

Port labour wages in Montevideo have increased steadily over the past months, but due to the falling rate of exchange, vessel's disbursements, when converted into Sterling, did not alter a great deal. However, with the increases announced by the Centro de Navegacion last month, and which co-incided with the hardening of the Uruguayan Peso, expenses have suddenly increased very sharply as far as we are concerned.

As a matter of comparison, we quote the following rates, the first column being the gross wage per day, ordinary time, in October/November 1958, and the second column being the current gross wages of the same personnel. The Sterling equivalents at approximate rates for the same periods are also given.

Reply at 564.

.../2

I had better have this early on file.

24.4.59.

Senior Foreman	£ 80.14	£2.13.0.	£ 96.04	£4.11.6.
Foreman	74.68	2. 9.0.	89.50	4. 5.3.
Assistant Foreman	71.03	2. 7.0.	85.13	4. 1.0.
Labourer (clean cargo)	45.53	1.10.0.	69.85	3. 6.6.
Chief Tally Clerk	75.92	2.10.0.	136.37	6.10.0.
Assistant Chief Tally Clerk	72.47	2. 8.0.	131.50	6. 5.3.
Tally Clerk	67.29	2. 5.0.	121.76	5.16.0.

From the data given in the attached statement it can be seen that the average discharge cost per ton has doubled since last November. Thus even at the rate of 5/- per drum (a flanged metal drum measures 12'0" cubic, and for purposes of estimation may be taken as one quarter of a shipping ton) our expenses will still be greater than the freight we will recover.

On receipt of the vessel's disbursement accounts covering Voyages C-6 onwards we will have to give consideration to whether our drum rate must again be revised. You will see that we have made no allowance for loading expenses in Stanley, cost in actual transportation, wear and tear of ship and gear, or marine insurances.

We remain,

Sir,

Yours obediently,

THE FALKLAND ISLANDS TRADING COMPANY LTD,

A. G. Hawke
MANAGER.

HEF.
Encls.

Ack'd
D. R. H.
25/4/59

STATEMENT OF TOTAL FREIGHTS EARNED ON NORTHBOUND CARGOES TO MONTEVIDEO
=====

NOVEMBER 1958 - APRIL 1959.

RMS "DARWIN"

VOYAGE B-22 at M'video 4/11/58.

DRUMS 1595' 0"
Other cargo 29' 4" 62.0.0.
1624' 4" 62.0.0. = 40.7 tons on which £24.18.5. freight was earned.

Labour used in discharge at Montevideo Uru. £609.49 @ 26.45 = £23.0.10. Cost per ton £0.11.4.

VOYAGE B-24 at M'video 6/12/58.

DRUMS 648' 0"
Other cargo 302' 4" 62.0.0.
950' 4" 62.0.0. = 23.8 tons on which £38.8.0. freight was earned.

Labour used in discharge at Montevideo Uru. £761.33 @ 25.74 = £29.11.7. Cost per ton £1.4.10.

VOYAGE C-4 at M'video 25/2/59.

DRUMS 4840' 0"
Other cargo 346' 5"
5186' 5" = 129.6 tons on which £107.16.0. freight was earned.

Labour used in discharge at Montevideo Uru. £3343.11 @ 21.10 = £158.8.10. Cost per ton £1.4.6.

VOYAGE C-6 at M'video 28/3/59.

DRUMS 3245' 0"
Other cargo 162' 1"
3407' 1" = 85.2 tons on which £61.3.9. freight was earned.

Estimated labour used at Montevideo Uru. £2215.15 @ say 25.00 = approx £89 Est. cost per ton £1.0.11.

VOYAGE C-8 at M'video 20/4/59.

DRUMS 1100' 0"

Other cargo 9' 2"

~~1109' 2"~~ = 27.7 tons on which £14.15.3. freight was earned.

Estimated labour used at Montevideo Uru. ~~£~~1106.39 @ say 25.00 = approx £45

Est. cost per ton £1.12.6.

561.

Offia.

562

Can we pl. find out how many drums (P.W.D. & Air Force)
we return to the U.S. each year?

2/4/7

563

2.5.59.

ACB

PWD - 310 average
Aviation 334 drums April 1958 - April 1959
but there was no flying April - June
1958

2/9/59

KIV. 557

13th May,

59

Sir,

558 I am directed to refer to your letter of the 25th April in which you advised Government that your Company felt obliged to reconsider the concessional freight rate that is applied in the case of Government Departments sending empty drums to Montevideo. It is noted that it is the Company's intention to increase the charge from 5/8d. per drum to 5/- per drum, the full rate normally charged to other shippers.

2. The reasons you have advanced in support of the increased charge are fully appreciated and in the circumstances Government does not feel that it would be right to raise any objections. I am, however, to say that Government's agreement cannot be taken to prejudice in any way Government's position and rights under the terms and provisions of the Mail Contract.

I am,

Sir,
Your obedient servant,

(Sgd.) A. G. Denton-Thompson

COLONIAL SECRETARY

The Manager,
Falkland Islands Trading Company Ltd.,
STANLEY

AGDT/MP

Copies to Supt. of Works }
D. C. A. }

You are requested to check and advise as soon as possible whether additional funds will be required as a result of this increase which will apply in the case of any shipments after the 25th April, 1959.

Bu 30/5
2

565

No.

MEMORANDUM.

It is requested that in any reference to this memorandum the above number and date should be quoted.

15th. May, 19 59.

Director of Civil Aviation,

Stanley, Falkland Islands.

The Honourable,
The Acting Colonial Secretary,

STANLEY.

SUBJECT :- Revised Freight Charges - Empty Fuel Drums.

564
With reference to the Colonial Secretary's letter 0237/IV dated 13th. May to the manager, F.I.T.Co.Ltd. on the above subject, I am to advise you that no additional funds will be required by this Department.



Director of Civil Aviation.

Disc. fl.

16/5/59

Rec. 30/5 to remind (P.W.D.) if reply is not in before.

18/5/59

566

Record: Ref 564

... fwd) will not require additional funds as petrol is charged to un-relocated Store A/c. The extra cost will be 16d for 44 gallons and charged appropriately.

Don 30/5/59

569

HCS

551

Draft to FIC of

Don

3/6/59

4th June,

59

Sir,

551.

I am directed to refer to my letter 0327/IV of the 5th March, 1959, and to inform you that payment for carriage of mails from Stanley to the United Kingdom by m.v. "A.E.S." has been approved at the rates quoted in your letter to the Superintendent, Posts and Telegraphs dated 27th August. Payment will be made from the commencement of mail carrying by m.v. "A.E.S." and I am to request you to forward the account to the Superintendent, Posts and Telegraphs in sufficient time to permit payment before 30th June, 1959.

547.

I am,

Sir,

Your obedient servant,

J. Bond.

(Sgd.) B. R. Morrison.

for ACTING COLONIAL SECRETARY

Manager,
Island Islands Company Ltd.,
STANLEY

Copies to: Treasury
Posts and Tels. Dept.

1765

571

TRADING

The Falkland Islands Company, Limited.

(INCORPORATED BY ROYAL CHARTER 1851.)

REGISTERED 1902.

AGENTS FOR LLOYDS.

TELEGRAMS "FLEETWING PORTSTANLEY" VIA RADIO.

Stanley,

24th January, 1962.



Sir,

MAIL CONTRACT.

513 in
0327/III

The Agreement which came into force on the 1st January, 1958 between the Government of the Falkland Islands and the Falkland Islands Trading Company expires on the 30th June, 1962 and in accordance with Section 21 of the Agreement we give notice herewith of our intention to terminate the Agreement as it stands at present with effect from the 24th July, 1962.

The Company will provide Government with a statement showing the increase in operating expenses since 1957 when R.M.S. "Darwin" first came to the Colony, in support of their contention that the annual contribution of £13,200 by Government is no longer adequate to provide the Shipping Services required.

I am,

Sir,

your obedient servant,

A.G. Norton
Manager.

The Honourable

The Colonial Secretary,

STANLEY.

*Ack'd
D.C.*

See 579

572:

G.E. for information. I fear that the location is
as stated.

We can H.V. for further communication

8
27/1/62.

BT

29.1.62

8' BW 15.3.62

31.3.62

after read mail

8 21/3/62

BW 14.4.62

S. 2,

573,

I spoke to Mr Barton about this. He still has no figures from England to base a request for new terms. He told me that Mr. Gault had raised a point about the interpretation of clause 21 (see 573 in vol III) according to which he thought that we would only give 6 months notice after the $4\frac{1}{2}$ years had expired.

I do not think the clause is very well worded but I doubt whether this interpretation is right. However it is a favourable one to us.

The point I wanted to make was that we didn't want to have to make a decision about the contract in June and he said that in view of this interpretation this would not arise.

To put things on a safe basis on paper I thought of writing as at b/c but I thought that before sending it I would 'phone him again to explain why I was doing so.

8
18/4/62.

574

HCS

Section 21 seems quite clear to me. Six months notice cannot be given until the four and a half years from January 1, 1958, have run their course. Since Mr. Barton agrees, n.f.a. seems necessary at present. However, since no formal act. has been sent to 571, it wd. be as well to write as you suggest.

27.4

17 May,

62.

Sir,

Mail Contract

571

With further reference to your letter of the 24th January, 1962, on the above subject, I am directed to state that I now understand that in view of the wording of Section 21 ~~it is~~ desired by the Company that your letter under reference should not be regarded as purporting to meet the requirements of that Section and that further written notice will be given six months before it is desired to determine the agreement.

I am,

Sir,

Your obedient servant,

(Sgd.) R. H. *Dr* MandersCOLONIAL SECRETARY

Reply at 576

By 4.6.62

e Manager,
Islands Company, Ltd.,

The Falkland Islands Company, Limited.

(INCORPORATED BY ROYAL CHARTER 1851.)

REGISTERED 1902

AGENTS FOR LLOYDS.

TELEGRAMS "FLEETWING PORTSTANLEY" VIA RADIO.



Stanley,

4th May, 1962

Sir,

MAIL CONTRACT.

We acknowledge your letter No. 0372/IV of 1st instant.

It has been pointed out by our London Office that the effect of Clause 21 of the Agreement which came into force on 1st January, 1958 is to prolong the life of the Agreement to a minimum of 5 years including the six months' notice which has to be given by either party, but cannot be given before the period of four and a half years has lapsed.

The assumption in your letter under reference is therefore correct and on the 1st July, 1962 we shall give formal notice to terminate the Agreement.

I am,

Sir,

your obedient servant,

A. G. Barton

Manager.

The Honourable

The Colonial Secretary,

STANLEY.

BU 1.7.62

Ok'd

1.5.62

See File 827/62

*no date we shall hear
in a day or two but if we
do not we need NOT remind
them
5/27/62*

577

The Falkland Islands Company, Limited.

(INCORPORATED BY ROYAL CHARTER 1851.)

REGISTERED 1902

AGENTS FOR LLOYDS.

TELEGRAMS "FLEETWING PORTSTANLEY" VIA RADIO.

Stanley,



30th June, 1962.

Sir,

MAIL CONTRACT.

571 We refer you to our letter of 24th January, 1962 in which we gave formal notice of the Company's intention to terminate the Agreement with effect from 24th July, 1962.

Our Head Office has pointed out that the Agreement is worded in such a way that it covers a period of five years certain from 1st January, 1958 therefore the earliest date on which it can be determined by either party to the Agreement is the 1st of January, 1963.

We apologise for this misunderstanding and ask you to accept the 1st January, 1963 as the revised date for terminating the Agreement aforesaid.

I am,
Sir,
your obedient servant,

A. C. Davlin

Manager.

The Honourable
The Colonial Secretary,
STANLEY.

Copy to Head Office.

578
m2 6/c
8
Reply at 579.

5 July,

62.

Sir,

577 I am in receipt of your letter of the 30th June, 1962. I assume that action will be taken in terms of the second paragraph of your letter of the 24th January, 1962, and that the necessary information will be supplied in time to allow Government plenty of time to consider the matter before the Agreement expires.

571

I am,

Sir,

Your obedient servant,

r

Officer Administering the Government

The Manager,
Falkland Islands Co., Ltd.,
STANLEY.

HDM/IM.

See 4 wait reply

for

BW 25.8.62

15/10.62

The Falkland Islands Company, Limited.

(INCORPORATED BY ROYAL CHARTER 1851.)

REGISTERED 1902.

AGENTS FOR LLOYDS.

TELEGRAMS "FLEETWING PORT STANLEY" VIA RADIO.



Stanley,

11th October, 19 62.

Sir,

MAIL CONTRACT.

Please refer to our letter of 30th June, 1962.

We now enclose one copy of our formal proposals for renewal of the Contract with effect from 1st January, 1963.

A copy of these proposals has already been sent by our London Office to His Excellency when in London.

I am,

Sir,

your obedient servant,

A.C. Danton

Manager.

The Honourable

The Colonial Secretary,

Stanley.

Ackd.
H. 11/10/62.

27

581

R.M.S. "DARWIN" - MAIL CONTRACT

The Contract became operative on 1st January, 1958, for a period of $4\frac{1}{2}$ years certain and thereafter continuing on the same terms subject to 6 months notice. The operating costs of R.M.S. "Darwin" have increased by £14,129 per annum since 1958 and notice terminating the Contract with effect from the 31st December, 1962, has accordingly been given by this Company.

The principal financial terms of the present Contract are as follows:-

- (a) The Company shall make such voyages from Stanley to Montevideo and return not exceeding 12 voyages each way, as the Government may require and shall receive £13,200 per annum by way of subsidy.
- (b) Passenger fares and freight rates are fixed according to a schedule of the contract and cannot be altered except with the consent of Government.
- (c) The Company shall allow a rebate of 25% on all Government cargo and passages.

It is clear, however, that the Company can no longer continue to operate the "Darwin" on the present basis owing to the heavy and increasing costs of operation and the need to provide depreciation on a capital cost of more than £265,000 higher than its predecessor "Fitzroy".

In considering an alternative basis for renewal of the Mail Contract the Company has accepted that its shipping operations through the Charter Vessel M.V. "A.E.S." should be taken into account. The Company is also cognisant of the fact that it would be difficult for the Government to sustain a substantially increased annual subsidy at the present or proposed levels of taxation unless wool prices rise.

The following basis for renewal of the contract is accordingly submitted for consideration.

- (a) That the fixed mail subsidy be increased by 25% to £16,500 p.a.
- (b) That the Company be guaranteed an annual return from shipping of 6% on the written down value of R.M.S. "Darwin" at the beginning of each year.

The following table shows the effect of these proposals on past results:-

	(a) Actual Net Return on Shipping after Depreciation £	(b) Add-additional Fixed Subsidy (£16,500 - £13,200) £	(c) Total £	(d) 6% on Written Down Value of "Darwin" and Equipment £	(e) Variable Subsidy (d - c) £
1958	22,697	3,300	25,997	19,116	Nil
1959	1,547	3,300	4,847	18,190	13,343
1960	14,273	3,300	17,573	17,181	Nil
1961	<u>10,427</u>	<u>3,300</u>	<u>13,727</u>	<u>16,167</u>	<u>2,440</u>
	<u>£48,944</u>	<u>£13,200</u>	<u>£62,144</u>	<u>£70,654</u>	<u>£15,783</u>

The Company would undertake to apply to the U.K. Treasury for permission to transfer ownership of R.M.S. "Darwin" to a Company registered and controlled in the Colony. The new Company would also be responsible for chartering operations and the net profit on shipping would therefore become assessable to Colonial Tax.

If Treasury permission is withheld it is submitted that the proposed basis remains an equitable one for renewal of the Contract.

The Colony's finances would be affected in the following manner if permission is granted:-

	Fixed Subsidy Actual £	Fixed Subsidy Additional £	Variable Subsidy £	Total £	Revenue at 7/9d in the £ on <u>assessable profit</u> <u>(greater of C or D)</u>
1958	13,200	3,300	Nil	16,500	10,074
1959	13,200	3,300	13,343	29,843	7,049
1960	13,200	3,300	Nil	16,500	6,810
1961	<u>13,200</u>	<u>3,300</u>	<u>2,440</u>	<u>18,940</u>	<u>6,265</u>
	<u>£52,800</u>	<u>£13,200</u>	<u>£15,783</u>	<u>£81,783</u>	<u>£30,198</u>

The Company would, therefore, have increased its profit before taxation by £28,983 (£13,200 + £15,783) and the Colony would have saved £1,215 (£30,198-£28,983). The poor results for 1959 are mainly attributable to one voyage of m.v. "A.E.S." on which a loss was sustained. In the past two years (1960 and 1961) the net gain to the Colony would have been £4,035 calculated as follows:-

	Increased Taxation	<u>1960</u>	£ 6,810
		<u>1961</u>	<u>6,265</u>
			13,075
<u>Less</u>	Increased fixed subsidy	<u>1960</u>	£ 3,300
		<u>1961</u>	3,300
	Variable subsidy	<u>1961</u>	<u>2,440</u>
			<u>9,040</u>
			£4,035

The advantage to the Falkland Islands Government is therefore derived from bringing in to assessment to Falkland Islands tax profits on shipping. Without this provision an increased fixed subsidy only, paid out of the Colony's revenue, would increase the assessment to United Kingdom taxation.

The maximum passenger fares and freight rates charged by the Company^{for} inter-island trade and between the Colony and Montevideo or Punta Arenas and vice versa would continue to be at the rates detailed in the Second Schedule of the present Mail Contract. It is submitted for consideration, however, that the existing 25% rebate on government freight and passages be abolished.

The Company would undertake to operate the Colony's shipping services as economically as possible and would, indeed, have every incentive to do so in view of the retention of earnings in excess of 6%. From the Government's point of view it will benefit by some £1,000 per annum from the annual reduction in the book value of R.M.S. "Darwin" and her equipment although this may be offset by increased costs. If the annual reduction in the 6% return resulting from depreciation is outweighed by increased costs it will be open to Government to approve increased freight and

passenger rates in order to contain the variable subsidy.

The rates of depreciation to be adopted should be the rates presently allowable for United Kingdom tax purposes. It is suggested that if these proposals are acceptable, the Company's Auditors issue annually a certificate binding on both parties declaring:-

- (a) The 6% return on capital employed
- (b) The actual return obtained
- (c) The variable subsidy, if any, payable by the Government.


Executive Director

The Falkland Islands Trading Co. Ltd.

30th August, 1962.

H.C.T.,

Please see 580. No doubt H.E. will have more information about this and will wish to discuss it on his return, but in the meanwhile I am sure you would like to get out your own ideas and verify or work out any relevant figures.

My comments at present are as follows:-

(a) The proposal to transfer the ownership of the "Darwin" and the conduct of the chartering operations to a new Company registered and controlled in the Colony seems to me to be a very vital consideration. The memorandum has made me realise how unfair the present arrangement is whereby we have to subsidise the Company because they cannot make a profit without a subsidy and their profits are affected by the fact that they have to pay United Kingdom income tax. In other words the subsidy which we pay them is affected by the fact that they pay United Kingdom income tax. Therefore in effect we are paying income tax to the United Kingdom. The position would of course be greatly aggravated by the new proposals. I would draw your attention to the following sentences on page 2.

"The Company would undertake to apply to the United Kingdom Treasury for permission to transfer ownership of R.M.S. "Darwin" to a Company registered and controlled in the Colony".

"If Treasury permission is withheld it is submitted that the proposed basis remains an equitable one for renewal of the contract".

This means that the Company having made their formal application have fulfilled all their obligations and, if the application is unsuccessful, we have to accept all the increased subsidies without getting any of the benefits of the increased taxes. I do not think that we can leave it at that, I would think

- i That if the Company is unsuccessful we should take the matter up with the United Kingdom Treasury or indeed take it up now and
- ii That we cannot really make a final decision on the Companies proposals without knowing the answer.

(Perhaps H.E. will be able to throw more light on this aspect).

(b) If the new Company is formed and we get the increased taxation it would appear that we could willingly agree to the 25% increase in the subsidy. In fact it appears that we might even be better off.

(c) As regards the loss of our 25% rebate I think we will have to try to estimate how much we will lose by this. I do not know whether you can work this out or whether you want my office to do so. However if it is agreed that the operating costs have gone up and that the present arrangement is uneconomical from the point of view of the Company we may have to agree to this too. If we obtain the increased taxation perhaps we will still be as well off as we were before or even better?

(d) We now come to the variable subsidy, which seems to me to be the crux of the matter and the great snag. The argument in favour of this appears in the last paragraph on page 3. My comments on this would be as follows:-

- i According to the figures given on page 2 if this arrangement had been in existence in 1961 Government would have had to pay the subsidy. Furthermore if the profits were just as big and the expenses had been no greater in 1962 they would again have had to pay a subsidy in 1962. The same would apply to 1963, though by that time the subsidy would have been almost negligible. But now surely it is most unlikely that the costs will not increase, and indeed if the Company had reckoned that they would in future years get profits of over 6% on the written down value they would be unlikely to have bothered to suggest this subsidy.
- ii If we ever reach this stage whereby the Company gives up all hope of making a profit of more than 6% on the written down value then we are in the position that it is the Government and not the Company which is interested in the economical and efficient running of the "Darwin" (and of course the chartered vessels). That the entire financial responsibility for the success or failure of the Companies shipping should be transferred to Government which has no control over the management of the Shipping Company is a position which I do not think could possibly be accepted in principal. I do not know what would happen if the Companies were to say that these were the terms and that if we did not like them we could make other arrangements for getting our personnel and our mails out, but I think we must make them see that the position in the event of us accepting the variable subsidy proposal would be an impossible one and that it would be unreasonable for them to press us to accept it.
- iii If we are convinced that it is necessary to ensure the Company a reasonable hope of making a 6% profit on the capital value of the "Darwin" then I think we would have to try to work out some figure which would represent an amount which we would pay annually to ensure them an opportunity of making a reasonable profit, leaving the responsibility for the actual profit made still in their hands. *But it might be better for them to put up their rates, rather than let Government bear the whole of the cost.*

These are my preliminary observations and you will no doubt now wish to make your own observations, but of course we cannot do anything with regard to deciding a move until this has been discussed with H.E.

13/10/62

RHDM/LH
0327/IV

587

N. C. S.,

The general idea behind the F.I.C. proposal cannot really be rejected. It is inconceivable that we should pay £16,000 subsidy to the company who in turn hand over £6,000 of it to H.M.C.

The proposed new company has a right

to expect a reasonable profit from the capital investment and 6% of the L/a value of "Darwin" does not seem excessive.

I can think of three ways that this could be achieved.

1. Increase in all freight and passenger rates
2. Increase in the freight rate on farm produce
3. Govt subsidies.

The first would undoubtedly lead to an increase in the cost of living. The second and third have much in common in that the farm either pay the extra amount required direct to the shipping company or have it taken from them in the form of taxes and paid over by Govt. The one important difference would be that the extra subsidy would only be paid if the profits fell short of the 6% but increased freight rates on wool etc would be paid even when the 6% was exceeded.

At this stage I find myself favouring the variable subsidy proposal subject to the introduction of measures to give it less of a 'blank cheque' appearance.

L.G.
17.10.62

589.

G.E.

Papers from 580 Submitted.

82
11/10/62.

590
DECODE.

TELEGRAM SENT.

From GOVERNOR to SECRETARY OF STATE

Despatched: 30.10.62 Time: 1200 Received: Time:

No. 135.

For Marnham. Falkland Islands Company have made suggestions for new mail contract which hinge on obtaining Treasury approval to transfer ownership of R.M.S. "Darwin" to a company registered and controlled in Colony. I have asked Barton to find out from his London Office whether such permission would be likely to be forthcoming. I am sure Falkland Islands Company would let you have details of proposals and if you can give any assistance in obtaining Treasury approval I should be most grateful.

GTC : SC

591
Hon C.T.

To see JC

N.C.S.,

Rec. Thank you.

L.E.

13.11.62

Reply at 705

over

BW 15.1.63 (R)

BW

13.11.62

592

593

HCT

or
22/4/64.

594.

4-2 - Submitted

HCT? drop at G/C.

I observe that the average

system could be less favorable to us than the present
system but I suppose it is fair

M/G

The Falkland Islands Company, Limited.

° (INCORPORATED BY ROYAL CHARTER 1851.) °

REGISTERED 1902.

AGENTS FOR LLOYDS.

TELEGRAMS "FLEETWING PORTSTANLEY" VIA RADIO.



Stanley,

26th November, 1962.

Sir,

MAIL CONTRACT.

Following upon the discussion in His Excellency's office on the 22nd November, we telegraphed our Head Office as follows:-

"...TELEGRAPH PROGRESS. GOVERNMENT CONSIDERS PROPOSAL DEPENDS ON SATISFACTORY DETERMINATION OF TAX POSITION THEREFORE COLONY REGISTRATION CONTROL SHIPPING ESSENTIAL RECOMMEND EXTEND CONTRACT SIX MONTHS MAKING AGREEMENT WHEN REACHED RETROACTIVE 1163".

Head Office replied on 23rd November :-

"YOUR TELEGRAM 22nd PROPOSALS REMAIN UNDER CONSIDERATION COLONIAL OFFICE RETROSPECTIVE ADOPTION OUR PROPOSALS UNDESIRABLE FROM COLONY'S REVENUE VIEWPOINTS SUGGEST THEREFORE CONTRACT RENEWED TWELVE MONTHS CERTAIN PRESENT SUBSIDY PLUS 25 PERCENT".

The Company therefore proposes that the fixed subsidy for the year 1963 be increased from £13,200 to £16,500 and the existing 25% rebate on Government Freight and Passages be abolished.

If these proposals are agreed by Government we suggest that the Agreement signed on the 20th August, 1958 is extended for one year to 1st January, 1964 and endorsed to cover the revised terms for the period of extension.

I am,
Sir,
your obedient servant.

A. G. Norton

Manager.

The Honourable
The Colonial Secretary,
STANLEY.

Ack'd

H.

27/11/62.

#3
45a
595a

EXTRACT FROM MINUTES OF THE MEETING OF STANDING FINANCE COMMITTEE

HELD ON 27th AND 28th NOVEMBER, 1962.

6. In approving additional provision of £1,650 under head XIII Posts and Telecommunications, 4. Carriage of Mails, for a 25% increase on the subsidy payable to the Falkland Islands Trading Co. Ltd. under the mail contract with effect from January, 1963, the Committee noted that the 25% rebate on Government passages and freight was to be abolished with effect from the same date. The Committee were advised that a new mail contract could not be entered into until 1964 and that the present contract would be renewed for a further 12 months subject to the amendment of the increase in the subsidy and the abolition of the rebate.

HTR/TB

H.C.S.

~~676~~ 596

I enclose a draft letter to the Colonial Manager, F.I.C. Stanley, incorporating most of the points mentioned in the original draft put up by H.C.T. Please go through it carefully with him, and if there are any alterations or suggestions that either of you might like to put forward, please do not hesitate to let me know.

December 4, 1962.

HCT

~~677~~ 597

Can you have exam'd & then
5-8/12/62.

Discussed with H.C.T.

§. 4.

We would suggest for consideration.

✓ Para 6 might perhaps end with
"you might have on this" leaving the door open
to some suggestion which might come into force
with the contract now being negotiated.

The concluding words tend to rule out any such
arrangement until a future contract was drawn up.

✓ Para 7 we suggest "would not be increased"
instead of "would remain constant" (rather
optimistically!)

52
6/12/62.

~~678~~ 598

6.12.62.

52

~

Draft letter to

7th December,

62.

Sir,

I am directed to refer to our meeting in the Governor's Office on the 22nd November and to set out, for your information, the points on which it is felt that some modification is desirable in the proposals put forward by the Company's Executive Director in his memorandum of the 30th August, 1962, on the subject of the renewal of the mail contract. Opportunity is also taken to suggest several conditions that could be introduced into an Agreement in addition to those that are standard features of the existing and previous contracts.

2. The existing contract expires on the 31st December, 1962. It is understood that your Company is prepared to continue the service for a period of twelve months, subject to an increase of 25 per cent in the existing subsidy and the cancellation of the clause under which a discount of 25 per cent is given to Government freight and passengers, and that in the meantime the two parties should consider and agree on the terms of the mail contract for the period beginning on the 1st January, 1964.

3. It is understood that an application for the transfer of the ownership of the "Darwin" to a Company registered in the Falkland Islands has been forwarded to the appropriate authority in Britain, and it is on the assumption that this transfer will be effected that the matter is now being considered. Should the application be turned down, Government would wish to reconsider the proposal in the light of the changed circumstances.

4. I should make it clear that Government views the Company's proposal with considerable interest and is most appreciative of the attitude of the Company in the matter, but I am sure you will understand that Government has to consider all possible eventualities, and it does seem that without certain safeguards Government could be faced with a very heavy liability (perhaps some £50,000 or more) in a particularly bad year in which some unforeseen disaster occurred, and this bad year could follow a period when the Company had made profits in excess of six per cent. It is, of course, appreciated that in good years Government will also benefit from taxation if the local Company is formed.

5. Government feels that there should be some limit to the additional amount over the subsidy of £16,500 that Government could be called upon to pay. It is suggested, therefore, that a ceiling of £10,000 should be fixed, which would mean that in the worst possible circumstances Government would pay £26,500, i.e. approximately twice the present subsidy.

6. Consideration has also been given to whether a system of averaging profits over a period such as three years might be a better method of arriving at the variable subsidy, and Government would welcome any suggestions you might have of this.

7. Government appreciates that there are certain charges, such as port dues in Montevideo, over which no control can be exercised and which are

unpredictable/.....

The Colonial Manager,
Falkland Islands Company Limited,
STANLEY.

Reply at 637.

unpredictable, and that the tendency of all charges is to increase rather than diminish. It is presumed, however, that one of the main charges that the Company would have to meet would be the charter of the "A.E.S." or any substitute, and Government would like an assurance that this charge would not be increased during the term of the contract. It would also be as well to state in the Agreement that wages of the officers and crew of the "Darwin" will be at National Maritime Board rates and that no special freight or passenger rates will be offered to any client, including the Company itself, without the concurrence of Government.

see
602
para 2.

8. Finally, it is suggested that the profits from which it is to be determined whether or not an additional subsidy should be paid might be those on which the Company's Accountants and the Colonial Income Tax Representative in London have agreed for purposes of taxation. It is not thought that any great difference of opinion between these agencies is likely to arise, and it is another way in which Government can give assurance that an element of control is within its power.

9. May I repeat that the Government views the Company's proposals with great interest and is most hopeful that an Agreement acceptable to both parties can be arranged.

I am,
Sir,
Your obedient servant,

(Sgd) R.H.D. Manders

COLONIAL SECRETARY.

Reply at 602
102

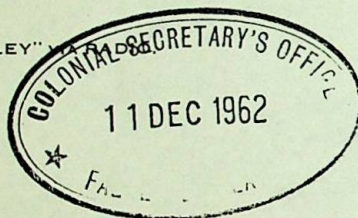
The Falkland Islands Company, Limited.

(INCORPORATED BY ROYAL CHARTER 1851.)

REGISTERED 1902.

AGENTS FOR LLOYDS.

TELEGRAMS "FLEETWING PORTSTANLEY"



Stanley,

10th December, 1962.

Sir,

MAIL CONTRACT.

699 599
Thank you for your letter of 7th December which we have copied to our London Office.

2. With regard to your second paragraph we have since spoken and it is agreed that you will draft an endorsement to the current Contract thereby prolonging its life for a further twelve months, increasing the subsidy by 25% and cancelling the freight and passage rebate (Clause 6 (a)).

3. We shall ask our Head Office to examine closely the implications in paras. 5 and 6 of your letter with particular reference to the United Kingdom tax situation which might arise if a system of averaging is adopted.

4. It would be impossible, we think, for the Company to give Government any assurance that the rate for chartering m.v. "A.E.S" or substitute will not be increased during the term of the Contract because the rate is mutually agreed every year, though in actual fact there has been no change for the last five years.

5. National Maritime Board rates for Officers and Crew have been in force for some years with the exception of the Master who is on Contract terms. In addition, crew members working as stevedores on Coastwise voyages, receive a cargo bonus of 1/- per ton at Jetty Ports, 1/9d per ton at Scow Ports, divided in equal proportions between them.

I am,
Sir,
your obedient servant,

A. G. Newton
Manager.

The Honourable
The Colonial Secretary,
STANLEY.

Reply at 620

Mail contract.

Mr. Benton speaks.

772

602

1. He says we have not clearly stated how we accept the proposal as regards renewal of existing contract. ~~However I think that we~~ stated how we do in fact accept it. It was apparently necessary to endorse it so I think the next thing is for RSC to prepare a draft endorsement.
2. As regards the terms of change of A-E-S rates are negotiated every year & though in fact there has only been one increase as far as I remember he can not guarantee that there shall be no increase say for the next five years which we may hope to be the reason of the withdrawal action on 1. Those who provided us the file must have been recruited to deal with 2.

2 10/12/62 . .

703 603

R.S.C.

⁶⁰¹ 704 para 2. I'll draft an endorsement as indicated. Contract is at 513 of 0327/III.

D.P.

12.12.62

704604

Hon. Col. Sec.,

Attached draft deed amending
the existing Rail Contract, submitted please.

We discussed and Clause 7 has been
amended accordingly.

H.B.

17. xii. 62.

DECODE.

No. 15.

TELEGRAM SENT.

From SECRETARY OF STATE to GOVERNOR

Despatched: 17.12.62 Time: 1610 Received: 18.12.62 Time: 1045

590 No. 102. Your telegram No. 135. Treasury has been made aware of your interest. Company have to make approach to Treasury under requirements United Kingdom Income Tax Act and have been so advised.

581 Presume calculation revenue accruing Colony in Company's submission of August 30th based 7s 9d income tax is an error.

Secretary of State

G.T.C. : LH
(Itnd.) DE

SE

Subm'd

R

19/12/62

706 606

Reply at 712. 612

KIV 604 704

~~707~~ 607

HCS

We shd point out that 7/q is
not an error

28/11

19.12.62

608

~~708~~

H.C.T. could you please draft
for 19/12/62

H.C.S.

Draft attached
L.C.

3.1.63

COPY OF TELEGRAM FROM FALKLAND ISLANDS Co., LTD., LONDON, TO
STANLEY OFFICE DATED 23rd NOV. 1962.

Your C221162 proposals remain under consideration Colonial Office
retrospective adoption our proposals undesirable from Colonies
revenue viewpoint suggest therefore Contract renewed twelve
months certain present subsidy plus 25 Percent stop

Copy for H. E. 24/11/62.

HCS

~~711~~ 611

mail contract

gm

A. C. D.

mail contract kept
Kiv 609
709
709 draft con
10 m

DECODE.

742
612

TELEGRAM SENT.

From GOVERNOR to SECRETARY OF STATE

Despatched: 5.1.63

Time: 1015

Received:

Time:

706

No. 3. Your telegram No. 102 of 17th December.

Income tax rate 7/9 combination rate of 5/9 plus profits tax
2/-.

Governor

P/L : LG/LH

~~##~~ 613

y. z. at 590 we informed Mr. Markham
of our interest in the formation of new company.

Need we at this stage submit any arguments
in favour of it? We discussed the position and
some of the arguments as given at the beginning
of my minute at 585.

SM

7/1/63

614

HCS

We jump from 594 to 695 in this file.

I have something in draft for Markham.

Pl. return file on Thursday 10.1.63.

615

Sumh. handwritten & mistake } HCS 616
Please alter re 2/1/63. } numbering
corrected
2/1/63.

7/1/63

BD 10.1.63

617.

g. 2.

Submitted

8^{10/1/63}

618

I asked P-S to send the file back.

1. Action has to be taken on 604.

Pl see
81 in
0604/B. | 2. There is 1 month working in 6
month.
8^{23/1/63}

619.

g. 2. May I now send the draft at G/C to
the Colonial Manager for his approval - see 604

8^{24/1/63}

GA
29.1.63
8.

30th January, 63.

Sir,

Mail Contract

bc 601 I am directed to refer to your letter of 10th December, 1962, and enclose herewith a draft deed amending the existing Mail Contract.

2. I should be pleased to receive your approval to proceed with the amendment.

I am,
Sir,
Your obedient servant,

R.H.D. Manders

COLONIAL SECRETARY.

The Manager,
Falkland Islands Company Ltd.,
STANLEY.

Reply at 621

Bu 6.2.63

621

The Falkland Islands Company, Limited.

(INCORPORATED BY ROYAL CHARTER 1851.)

REGISTERED 1902.

AGENTS FOR LLOYDS.

TELEGRAMS "FLEETWING PORTSTANLEY" VIA RADIO



Stanley

2nd February, 1963.

Sir,

MAIL CONTRACT.

Thank you for forwarding a copy of the draft deed amending the existing Mail Contract.

The amendment is in order and we understand you will now proceed with it.

I am,

Sir,

your obedient servant,

A. G. Barton

Manager.

The Honourable

The Colonial Secretary,

STANLEY.

accdg - *622*
82

5/2/63

g/c

Re. have deed prepared for signatures.

623

ack'd 4.2.63.

See 624.

7.2.63

63.

11 February,

Sir,

Mail Contract

691

I am directed to refer to your letter of 2nd February, 1963 and to enclose the original copy of the deed for favour of your signature.

2. Would you please be good enough to return it at your earliest convenience and advise me of the number of copies you would wish to retain for record.

I am,

Sir,

Your obedient servant,

rc

Reply at 625

COLONIAL SECRETARY.

The Manager,
Falkland Islands Company Limited,
STANLEY.

HLB/TE

BU 8.3.63

22.2.63
BU 16.2.63
BU 2.3.63

625

The Falkland Islands Company, Limited.

° (INCORPORATED BY ROYAL CHARTER 1851.) °

REGISTERED 1902.

AGENTS FOR LLOYDS.

TELEGRAMS "FLEETWING PORTSTANLEY" VIA RADIO.

Stanley,

5th March, 1963.



Sir,

Mail Contract.

624
626
With reference to your letter No. 0327/IV dated 11th February, 1963 I return herewith the original copy of the deed duly signed and witnessed.

I shall be pleased if you will forward six copies for our record.

I am,

Sir,

your obedient servant,

A. G. Bartlett

Manager.

8

The Honourable
The Colonial Secretary,
STANLEY.

Reply 628

Act'd
th
4/3/63

FALKLAND ISLANDS

THIS DEED is made the *Fifth* day of *March*,
One thousand nine hundred and sixty-three.

BETWEEN THE GOVERNMENT OF THE COLONY OF THE FALKLAND ISLANDS of the
one part and THE FALKLAND ISLANDS TRADING COMPANY LIMITED whose
Registered Office is situate at 120 Pall Mall in the City of Westminster
of the other part.

WHEREAS

(1) This deed amends an agreement dated the twentieth day of August
One thousand nine hundred and fifty-eight and made between the same
parties.

(2) The parties hereunto are desirous of altering the provisions
of the agreement in manner hereinafter appearing.

NOW THIS DEED WITNESSETH that it is hereby mutually agreed as follows:

(a) That the said agreement is amended -

- (i) by deleting clause 6;
- (ii) by deleting the words and figure "as specified in
clause 6(a)." in clause 7 and substituting the
words "carried on Inter-Island voyages and voyages
to and from the South American continent.";
- (iii) by deleting the words "Thirteen thousand two hundred
pounds" and the words "Three thousand three hundred
pounds" in clause 16 and substituting the words
"Sixteen thousand five hundred pounds" and the words
"Four thousand one hundred and twenty-five pounds"
respectively.

(b) That the amendments made by this deed shall have effect as from
the 1st January, 1963.

(c) That the said agreement as amended by this deed shall remain in
force for a period of one year beginning on 1st January, 1963.

IN WITNESS/.....

IN WITNESS whereof Richard Henry David Manders, Colonial Secretary,
for and on behalf of the Government of the Colony of the Falkland Islands
has hereunto set his hand and seal and Arthur Grenfell Barton on behalf
of the Falkland Islands Trading Company Limited, has hereunto set his
hand and seal the day and year first above written

SIGNED SEALED AND DELIVERED)
by Richard Henry David Manders,)
Colonial Secretary, for and on)
behalf of the Government of the)
Colony of the Falkland Islands)
in the presence of:-)

R. H. D. Manders

Colonial Secretary.

[Signature]
A.C.S.

SIGNED SEALED AND DELIVERED)
by Arthur Grenfell Barton on)
behalf of the Falkland Islands)
Trading Company Limited in the)
presence of:-)

A. G. F. Barton

Colonial Manager

[Signature]

1 copy sent to Mr. N. Miller, F.I.T.C.

14/5/63.

8

March,

63.

Sir,

625


I am directed to refer to your letter of the 5th of March and to enclose six copies of the Deed as requested.

626

I am,

Sir,

Your obedient servant,


COLONIAL SECRETARY.

The Manager,
Island Islands Company Ltd.,



COLONIAL OFFICE

GREAT SMITH STREET, LONDON S.W.1

Telephone: ABBEY 1266, ext.

Our reference: FST 118/319/02

12 February, 1963

Your reference:

Dear Sir,

Thank you for your letter of 28th January about the Falkland Islands Company's mail contract.

As I expect you know from the company's local people Treasury agreement was secured expeditiously to the transfer of the ownership of the Darwin to a company controlled and registered in the Colony. Mitchell rang to thank the C.O. for their help in getting the matter through.

*For
Earl 1.11.63*

(R. G. PETTITT)

Sir Edwin Arrowsmith,
K.C.M.G.,
Government House,
Port Stanley,
Falkland Islands.

BA.

*BU 1.11.63 for revision
of contract.*

*Ag. A.C.T. would
like this file pl*

*✓ III Seen
T.B.*

9.9.

- 28.9

630

HCT photo to be about Co mail contract.

The position is that we are still awaiting a further reply to 599 - re 601 which promises it.

2. We know that the Company in England did send Mr. Barton a reply as no letter passed re reply to HCT but it was never conveyed to us officially and now it appears that Mr Barton must have kept it for discussion at home since he has taken no file and there is no further information here.

3. We have voted no money for the unincorporated fixed interests. As regards the contingent interests HCT says we will never put it in the Annual Estimates; we will only vote it as it arises.

4. Perhaps we should mention to Ex Co and to Select Committee that the exact terms of the revised contract are still being negotiated.

5. As regards the formation of the Company HCT tells us that he has gathered that it will take place in October but we know nothing officially except that Treasury has approved. (629) As at 4

82

17/5/63

631

HCS

I should think Mr Barton will be discussing in England. As at 4 if asked.

9/17.5.63

82

BU Ex Co 30563

BU 20.9.63

H.C. - 7 May I have given comments
on the suggestion ~~that~~ made in select
committee but we should seek advice.

before agreeing to the terms of the proposed new
contract?

I am not quite clear as to the exact nature
of the advice which would help us. It was
not, I think, contemplating legal advice
which would presumably answer off to
the actual working.

I think the word 'actuary' was mentioned
but I hardly think an actuary would help
in this case.

We have of course addressed S.G.C.
(see 590) but that only deals with the
formation of the company.

I think it was suggested that we might
consult the Crown Agents who are our business
advisers.

If H.C. can contact the representative in
the Crown Agents office we might perhaps
get some useful advice. What would you
suggest?

2/7/63

H.C.

633

The only point I think might be explored
is whether there is anything radically wrong
with guaranteeing the new company a gross
return of 6% of the written down value of
the 'Darwin'. It amounts almost to a
blank cheque in that it could be a very
large sum.

The alternative would be for the company to ensure a minimum profit, including a reserve against a very bad year, by capping the freight rates.

The question is really whether Govt should undertake a gross profit of 6% and have some say in the freight rate charge or whether the Coy should have a free hand in the matter of freight rates. It goes a bit farther than that as the NCS can handle all freights very easily but we (Government) wish the Coy to run a monthly mail and passenger service to Montevideo. Should the sheepfarmers jointly charge charter a vessel to bring out supplies and take home produce (which no doubt would be possible) the shipping losses of the proposed company would be even greater as it would be reduced to operating Darwin only. It is therefore in the interests of the community as a whole that the freight service and passenger/mail service be operated by one company. The profits from the former help to offset the losses of the latter and Govt undertakes to the extent of ensuring a 6% gross return for shipping.

I think this is a reasonable offer. The contracts would be for short term (say 4 years) and need not be renewed if ~~not~~ found to be unsatisfactory. There is danger in permitting the freight rates to go up as it could lead to an independent arrangement for shipping out produce and this would definitely not be to the advantage of the community as a whole. L.L.

G.E.

In Select Committee it was suggested that we should get advice.

I am not sure to whom one would go but I suppose Colonial Office would ~~not~~ ^{not} suggest somebody who advises Government on ^{business} ~~business~~ matters.

Possibly a conference with such advisers and somebody from the Company (Mr Mitchell?) might be useful.

There seem to be 3 main points.

1. Is the policy of freezing freight rates for (suppose it would amount to that) by a Government subsidy a good one?
That I suppose is mainly for us to decide.

2. We accept this policy as desirable
is the rate of profit demanded by the Company, 6% of written down value of the Darwin, reasonable?

3. Are our modifications at 599 & 600 - or also 602 - reasonable?

There is another point - the ~~term~~ period for which the contract is to last. As far as the Company is concerned I presume that they would be content for it to last forever but Government must have the power to terminate it if we find that it is becoming too expensive. Presumably it will be for five years.

8/7/62

636

HCS

I wd. like to take this file
with me to England.

~~SA~~ 8.7.63
on.

Confidential

637

No.

It is requested that, in any reference to this memorandum, the above number and date should be quoted.

MEMORANDUM



10th July, 19 63.

To. The Honourable

From. Colonial Treasurer,

The Colonial Secretary,

Stanley, Falkland Islands.

STANLEY.

SUBJECT :-

We are still awaiting a reply from The Falkland Islands Company to our suggestions for modifying their proposals for a variable subsidy to be paid to the new company that will own the Darwin and charter the A.E.S. We were not happy about their proposal that in years when the profit was less than 6% of the written down value of the Darwin Government should make it up to 6% but if more than 6% was made in any year it should not be regarded in any way as offsetting the shortfall of previous or future years. There were other points also on which further thought was necessary but in an effort to get more favourable terms under which Government would guarantee a minimum 6% return we suggested that the profits of three years be averaged so that the good years would be taken into account before Government was called upon to pay the variable subsidy. I still think this would be a fair and reasonable plan, particularly when the company are assured of a gilt edged investment yielding not less than 6% - (although the question of a limit that Government would pay in any one year was also raised).

Another way in which these better years can be brought into the plan is that in which Government undertakes to subsidise the company in years when profits fall below 6%, but in years when more than 6% is realised the company should pay to Government a sum equal to half the excess over 6% or half the net variable subsidy that Government has already paid, whichever is the less. Several examples of how this might work are given below.

Year	Profits	
	above 6%	below 6%
1		£2000
2		500
3	£1000	
4	£4000	

In this example Government would pay to the company the first year £2000 and the second year £500. In the third year the company would pay Government £500 (half of £1000) and in the fourth year the company would pay Government £1000 (half of £2000, the net variable subsidy).

For the four years the company would have had profits of

1.	6%
2.	6%
3.	6% plus 500
4.	6% plus £3000

Another example.

Year	Profits	
	above 6%	below 6%
1	£1000	
2	£4000	
3		£2000
4		500
5	£1000	

In the first two years no variable subsidy would be payable. In the third year it would be £2000 and in the fourth £500. In the fifth there would again be no variable subsidy. In the fifth year only (in this example) would the company have to make a payment to Government and it would be £500 (half of £1000 which is less than half the net variable subsidy). Over the five years the company would have had profits as follows.

1	6% plus £1000
2	6% plus £4000
3	6%
4	6%
5	6% plus £500

I don't know whether the Governor will be discussing this matter when in Britain shortly but he might like to consider this an alternative to the averaging system if that is not acceptable to the Company. I feel that we should press strongly for the profits in excess of 6% to be in some way brought into the scheme.

L. Mearns
Colonial Treasurer.

LCG/CMc.

P.A.
L.H.
 11.9.63

639

THE FALKLAND ISLANDS TRADING CO., LTD.

~~M.C. Waldron~~
DIRECTORS: P. D. L. AINSLIE, ~~ROBERT BLAKE~~, A. E. BELL, J. H. YORATH
SIR ANTHONY R. HURD, M.P. T. A. GILRUTH, A. G. BARTON, C.B.E.

Telephone: WHitchall 6077/8/9

Telegrams: "Fleetwing, Piccy, London"

120, PALL MALL,

LONDON, S.W.1.

FGM/val

16th August, 1963.

His, Excellency,
Sir Edwin Arrowsmith, K.C.M.G.,
The Colonial Office,
Gt. Smith Street,
London, S.W.1.

Dear Governor,

658-641 I enclose a Memorandum, in duplicate,
dealing with the matters arising from our
discussion of last week and the Colonial
549 Secretary's letter of 7th December, 1962.

Yours faithfully,
For THE FALKLAND ISLANDS TRADING CO., LTD.

J. Yorath
Executive Director.

file + back please

MAIL CONTRACT

Darwin Shipping Ltd. was incorporated in the Falkland Islands on 30th July, 1963, and R.M.S. Darwin was transferred to the new Company on the 1st August, 1963. We understand that the Government welcomes the proposals embodied in our Memorandum of 30th August, 1962, and accepts them in principle but that concern has been expressed over the acceptance of unlimited liability.

The maximum liability of the Falkland Islands Treasury would be :-

✓ (A) 6% of written down value of shipping assets

Plus

✓ (B) Loss on working of shipping assets.

The figure for (A) for 1964 will be approximately £13,450 and will fall by about £1,000 per annum thereafter.

With regard to (B) a loss on shipping operations cannot be envisaged at the present level of imports and exports and given that no more than modest increases ^{occur} in operating costs and charter hire. The Company had a margin of £3,644 over the 6% return for 1962 and would not have claimed variable subsidy. Nor, if the proposals were in force for 1963, would a claim be submitted for this year.

If the proposals had been in force for 1962 the Colony's revenue would have benefited by over £4,000 after paying an additional £3,300 fixed subsidy. In arriving at these figures no account has been taken of the withdrawal of the 25% rebate for Government but 7s.9d. in the £ of this would be automatically recovered and the overall effect would be to diminish still further the possibility of a claim for variable subsidy.

✕ It has been stated that a heavy loss would be incurred in the event of either Darwin or A.E.S. meeting with an accident. If A.E.S. was withdrawn a replacement could be chartered on similar terms. If Darwin was withdrawn from service as the result of

cont'd.

unseaworthiness the question of her replacement would have to be discussed with Government. Whatever decision was reached regarding a replacement the over-riding factors affecting the decision would be those touching upon the interests of the Colony and it is right therefore that financial consequences of the decision should fall upon the Colony and not the Company directly.

Two suggestions have been made :-

1. AVERAGING

It was clearly necessary that the Company should be given every incentive to operate shipping in the most economical and profitable manner. This incentive is provided from the outset by the retention of profits in excess of 6%. The level of profit is not something which can be predetermined by the Company and in actuality with repairs and docking expenses being incurred at the end of the year the Company will effectively be precluded from regulating profits. The case for averaging would be stronger if we had not adopted the continuous survey method for R.M.S. Darwin. A variable subsidy of say, £3,500 would remove much of the incentive in the two succeeding years of a 3 year averaging basis to control costs because the Company could be tempted to spend the variable subsidy rather than hand it back or to relax control over costs of operation.

2. CEILING OF £10,000

The Company is a public company quoted on the Stock Exchange and subject therefore to the scrutiny of the financial world in general and of its shareholders in particular. Its transactions should be entered into on a commercial basis.

? A 6% return on shipping is uneconomical and would not provide funds for the replacement of the vessel in due course. R.M.S. Darwin, for example, was built from funds which had been taxed at over 60% and cost about £270,000 more than her predecessor. It is a fact that our sheep farms have subsidised a service which is provided for the Colony as a whole.

A ceiling of £10,000 is one that the Company cannot accept because in the unlikely event of the variable subsidy reaching that figure that would be a time when the Company would most need support from the Colony's revenue.

✓ It should be pointed out here that whatever the subsidy, whether it be £5,000 or £50,000 the cost to Government will be reduced by 7s.9d. in the £ either by assessment to tax on profit or by exhaustion or reduction of a loss claim. The Company cannot foresee a claim to variable subsidy being made in the near future but it does know that on present shipping results the revenue of the Colony will benefit even after payment of an increased subsidy. Q

Other matters raised in the Colonial Secretary's letter are as follows :-

CONTROL OF EXPENDITURE AND REVENUE

We agree that the tendency is for charges to increase rather than diminish but of course the 6% return falls by approximately £1,000 per annum and, assuming that revenue remains the same, costs would have to increase by more than that if increases are to be borne by Government.

We cannot assure the Government that the "A.E.S" charter hire will not increase during the term of a mail contract. Obviously the hire will be negotiated at the market rate which could feasibly be a reduction. However, we could most certainly inform Government of any increases.

We agree to a clause being inserted in the Mail Contract providing for wages for officers (other than the Master) and crew to be at National Maritime Board rates. There is no N.M.B. rate for Masters.

As a condition of qualification as an O.T.C. the Company is precluded from negotiating special terms with a subsidiary. We agree that no special passenger or freight rates will be offered to a client without concurrence of Government if the amount involved is material. There must inevitably be instances when a special

cont'd..

✓ rate is necessary e.g. deviation, towing etc. and it is considered that the Company should then be free to fix a rate at arms length on the basis of past experience without reference to Government.

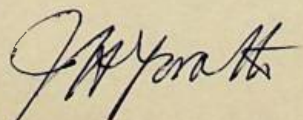
CALCULATION OF PROFIT

✓ We have no objection to profit being determined by the computation for Colonial Income Tax purposes before capital allowances, with the exception of our Underwriting Fund the net addition to which is now added back for tax purposes. Clearly, we should be permitted to continue this Fund and charge the premium rather than placing the insurance with third parties. We will agree not to alter premiums without concurrence of Government. The fund incurred a loss of £171 in 1961 which we would not deduct if our terms are agreed.

✓ We cannot deduct annual allowances for Falkland Islands tax purposes in calculating the net returns on shipping as it would enable Government to regulate the return. What we propose is that the depreciation charged in the annual accounts be disregarded and replaced by a calculation based on 1961 U.K. tax allowances. The identical figure deducted from profit on shipping will be deducted from capital values to determine the amount on which the 6% is calculated.

✓ We must emphasise that interest and income from investments is to be disregarded in calculating the return on shipping. The reason for this, of course, is that surplus funds will have arisen from depreciation recovered and profit after taxation retained. As our return on shipping calculated as a percentage of net capital invested falls so our income from investment of capital recovered will rise.

✓ In conclusion, in view of the concern over ultimate liability we would suggest an initial contract of 2½ years subject to 6 months notice thereafter or, in other words, 3 years certain instead of 5 years.



Executive Director
The Falkland Islands Trading Co. Ltd.

16th August, 1963.

674

CONFIDENTIAL

For consideration at the
next meeting of Council.

SMP 0327/IV
4th November, 1963.

MEMORANDUM NO. 50/63 FOR EXECUTIVE COUNCIL

Mail Contract

The mail contract entered into in 1958 ended on the 31st of December 1962. It was renewed with reservations until the end of December 1963 by which time certain proposals by the Falkland Islands Company were expected to be available for consideration. The reservations referred to in the extended mail contract were that the Government rebate of 25% on cargo and passengers carried would be withdrawn and that the annual subsidy of £13,200 would be increased to £16,500.

It was in 1962 that the Company first put forward proposals that the nature of the mail contract should be drastically changed. These changes are summarised as follows

1. That the special reduction for Government passengers and freight of 25% be withdrawn.
2. That the fixed annual subsidy be increased from £13,200 to £16,500.
3. That there should be a variable subsidy to bring the annual net return of the shipping operations up to 6% of the written down value of R.M.S. "Darwin".
4. That a Company be incorporated in the Falkland Islands which would own the "Darwin" and charter the "AES" or any substitute vessel.

The first two conditions have been adopted in that since the 1st of January 1963 no rebate has been given for cargo and passengers carried by the "Darwin" and the annual fixed subsidy has been at the rate of £16,500. The 4th point has also been achieved and a new Company known as Darwin Shipping was incorporated on 30th July 1963. There remains for consideration the 3rd point, that of guaranteeing a net return of 6% of the written down value of the "Darwin" from the operations of the Company as a whole. It will immediately become evident that this has some characteristics of a blank cheque and mental pictures of a very large variable subsidy come quickly to the mind of those whose job it is to conduct a critical examination of the proposal. In considering this matter, however, due regard must be given to the factual evidence available and in this respect the following extract from a memorandum on the subject received from the Executive Director of the Falkland Islands Trading Company Ltd. is of the greatest importance. "A loss on shipping operations cannot be envisaged at the present level of imports and exports and given that no more than modest increases occur in operating costs and charter hire. The company had a margin of £3,644 over the 6% return for 1962 and would not have claimed variable subsidy. Nor, if the proposals were in force for 1963, would a claim be submitted for this year".

Attention should also be drawn to the importance of the incorporation of Darwin Shipping Limited as a locally registered company which brings its profits within the scope of Falkland Islands taxation. Up to now the shipping operations of the former owners of the Darwin have been subject to United Kingdom taxation. The company have provided figures to illustrate how this proposal would have worked had it been in operation since 1958 and these figures are reproduced below:-

673
657

582

	(a)	(b)	(c)	(d)	(e)
	Actual Net Return on Shipping after Depreciation	Add-additional Fixed Subsidy (£16,500- £13,200)	Total	6% on Written Down Value of "Darwin" and Equipment	Variable Subsidy (d - c)
	£	£	£	£	£
1958	22,697	3,300	25,997	19,116	Nil
1959	1,547	3,300	4,847	18,190	13,343
1960	14,273	3,300	17,573	17,181	Nil
1961	10,427	3,300	13,727	16,167	2,440
	<u>£48,944</u>	<u>£13,200</u>	<u>£62,144</u>	<u>£70,654</u>	<u>£15,783</u>

From this table it will be seen that over the four years an additional £13,200 would have been paid in fixed subsidy and a sum of £15,783 would have been paid in variable subsidy making a total of £28,983 more than was in fact paid in the form of subsidies at the rate of £13,200 per annum. But that is only half of the picture: there is yet to be considered the question of taxation. The profit liable to taxation will be the greater of the figures given in columns C and D which would be taxed at the rate of 7/9 in the £. Tax for the four years therefore would be £10,074, £7,049, £6,810 and £6,265 making in all a total of £30,198. The result of all this is that Government would in effect have paid £1,215 less than it was paying under the conditions of the past mail contract. The figures on which these examples are based do not reflect a period of particular prosperity for the company's shipping operations as 1959 was in fact a rather poor year. Taking the years 1960 - 1963 inclusive the variable subsidy would have been limited to the £2,440 shown against 1961. This, together with the additional fixed subsidy of £13,200 for the four years, would make the extra payments to the Company for the period total £15,640. We are told that had these proposals been enforced for 1963 no variable subsidy would have been made. We do not know what the profits will be nor what tax we might have expected to receive but taking only the years 1960, 1961 and 1962 the tax would have totalled over £17,000 or more than was paid in additional subsidies over the period of four years.

In the course of negotiations Government has taken pains to emphasise the significance of the absence of a ceiling to the amount that it could be called upon to pay in any one year. In this respect suggestions were made that the profits be averaged and that the variable subsidy be based on the average profit where this fell short of the required 6%. It was felt that in this manner Government could avoid paying an additional subsidy in the event of one poor year occurring in a series of otherwise good years. The company have been unable to accept either this suggestion or another that there should be a ceiling of £10,000 to the variable subsidy and their points of view cannot be better transmitted than by again quoting from their latest memorandum.

"It has been stated that a heavy loss would be incurred in the event of either "Darwin" or "AES" meeting with an accident. If "AES" was withdrawn a replacement could be chartered on similar terms. If "Darwin" was withdrawn from service as the result of unseaworthiness the question of her replacement would have to be discussed with Government. Whatever decision was reached regarding a replacement the over-riding factors affecting the decision would be those touching upon the interests of the Colony and it is right therefore that financial consequences of the decision should fall upon the Colony and not the Company directly.

Two suggestions have been made -

1. AVERAGING

It was clearly necessary that the Company should be given every incentive to operate shipping in the most economical and profitable manner. This incentive is provided from the outset

638

by the retention of profits in excess of 6%. The level of profit is not something which can be predetermined by the Company and in actuality with repairs and docking expenses being incurred at the end of the year the Company will effectively be precluded from regulating profits. The case for averaging would be stronger if we had not adopted the continuous survey method for R.M.S. "Darwin". A variable subsidy of say, £3,500 would remove much of the incentive in the two succeeding years of a three year averaging basis to control costs because the Company could be tempted to spend the variable subsidy rather than hand it back or to relax control over costs of operation.

2. CEILING OF £10,000

The Company is a public company quoted on the Stock Exchange and subject therefore to the scrutiny of the financial world in general and of its shareholders in particular. Its transactions should be entered into on a commercial basis.

A 6% return on shipping is uneconomical and would not provide funds for the replacement of the vessel in due course. R.M.S. "Darwin", for example, was built from funds which had been taxed at over 60% and cost about £270,000 more than her predecessor. It is a fact that our sheep farms have subsidised a service which is provided for the Colony as a whole.

A ceiling of £10,000 is one that the Company cannot accept because in the unlikely event of the variable subsidy reaching that figure that would be a time when the Company would most need support from the Colony's revenue.

It should be pointed out here that whatever the subsidy, whether it be £5,000 or £50,000 the cost to Government will be reduced by 7/9 in the £ either by assessment to tax on profit or by exhaustion or reduction of a loss claim. The Company cannot foresee a claim to variable subsidy being made in the near future but it does know that on present shipping results the revenue of the Colony will benefit even after payment of an increased subsidy."

One thing about the shipping arrangements for the Colony seems certain - whichever agency carries the produce must also carry the passengers and mail. It is understood that the "AES" makes a satisfactory profit but that the "Darwin" operations result in a considerable loss. Together they usually make a profit, albeit a small one, which Government is asked to guarantee at 6% of the written down value of the "Darwin", which itself decreases each year.

It must be admitted that the proposal now put forward for consideration is unique and for this reason it is suggested that it be accepted in the first instance for a period of 2½ years subject to 6 months notice thereafter. This would enable the scheme to run long enough for experimental purposes and yet not too long should it prove to be a greater burden than its sponsors suggest.

L. Greenall
ACTING COLONIAL SECRETARY

Issued to all members today. BH Xeo 15.11.63
LH 8/11/63.

676A

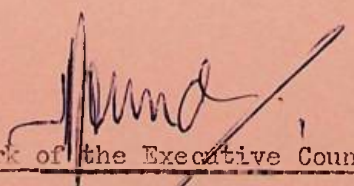
Extract from Executive Council Minutes of Meeting No. 4/63 held on
20th, 21st & 22nd November, 1963.

MAIL CONTRACT (Memo. No. 50/63)

Council advised that the new mail contract commencing on 1st January, 1964, should provide the following conditions (1 & 2 of which already apply for 1963):-

1. That the special reduction for Government passengers and freight of 25% be withdrawn.
2. That the fixed annual subsidy be increased from £13,200 to £16,500.
3. That there should be a variable subsidy to bring the annual net return of the shipping operations up to 6% of the written down value of R.M.S. 'Darwin'.

The contract would continue on this basis for a period of 2½ years after which time it could be reviewed on either party giving six months' notice of their desire to do so.


Clerk of the Executive Council

77
645

Y.E.,

Mr. Barton called one morning last week to discuss the increases in freight and passenger rates by "Darwin" that he mentioned briefly in Executive Council.

He produced operating statements of the "Darwin" for the years 1958 and 1962 (the first and last years of the now extended contract) which show that the operating expenses increased from £91,000 to £110,000 and he said that in the Company's view this was sufficient for increases to be considered. He quoted section 5(b) of the Agreement and seemed to stress the reference to "basic operating expenses". The increase in operating expenses is approximately 21%.

An important feature of the statements however was that the net loss in 1958 of £33,000 increased to only £36,000 in 1962 and I told him that I felt that this figure should also be taken into account. After all in an age of increasing prices it might well be that despite increased operating costs the net loss might be reduced, and Government could hardly be expected to approve increases in freight etc. rates when such conditions prevail, notwithstanding the fact that "basic operating expenses" have increased.

Mr. Barton wished to dispense with the need to produce a statement prepared and certified by the Company's auditors (section 5(b)) but I felt that as this was a requirement of the contract it should be done. Government would be at a distinct disadvantage if questioned on its approval of increases in rates without first having obtained such a statement. I think Mr. Barton appreciated this and he undertook to get something by the return of "Darwin". I suggested

- (a) operating expenses for each of the years 1958 to 1962
- (b) comparative figures of all items of expense for each of these years where the item involves £1,000 per annum or more
- (c) profits or losses for each of the years

The Company want to go ahead with their arrangements for the new contract and hope to introduce the increases with effect from 1st January 1964 (the increased rates will be written in part of the Agreement). Whether or not they are accepted by Government remains to be seen but in the meantime I shall go ahead with amending the existing contract in those respects where agreement has been reached. This should save time later in the year.

Arising from the conversation with Mr. Barton is the question of whether or not increases in "basic operating expenses" should be regarded as sufficient reason for adjusting freight and passenger rates. It appears to me that the decision to adjust these rates is more closely tied to the operating result, that is the profit or loss, of the "Darwin" and I shall make a point of drawing Mr. Thompson's attention to this particular section of the Agreement when the file comes up for his consideration. In the meantime there seems little more that we can do except think over what has been suggested. I confess that the Company's intention to increase the rates per "Darwin" came as something of a shock and the least they could have done when putting forward their proposals for Government to guarantee a net return for the new shipping company would have been to tell us also of their plans to increase rates. One of the arguments we have used in favour of adopting the 6% proposal has been that it is much more preferable than permitting increases in freight rates. It can of course be argued that in accepting the liability to guarantee a 6% return Government does not envisage an annual payment to achieve this end. It expects the Company to be able to maintain such a level from its normal operating functions and that only in some unusual circumstances would the liability to pay a variable subsidy arise.

678

I wd. much prefer to get the new agreement L.E.
3.12.63

LG/LH going without increasing freight rates. 9.12.63 B.U.

The Falkland Islands Company, Limited.

° (INCORPORATED BY ROYAL CHARTER 1851.) °

REGISTERED 1902.

AGENTS FOR LLOYDS.

TELEGRAMS "FLEETWING PORTSTANLEY" VIA RADIO.

Stanley,

4th December, 1963.

Sir,

MAIL CONTRACT.

The Contract dated 20th August, 1958 became operative from the first day of January, 1958 and was amended on 5th March, 1963 with effect from 1st January, 1963.

2. We confirm that it is the intention of the Company to seek an increase in Passenger Fares and Freights with effect from 1st January, 1964 and we have asked our Head Office to supply by the next incoming mail an audited statement in support of the request, in accordance with Section 5 (b) of the Mail Contract.

3. We attach statements covering the 5-year period 1958 - 1962 showing the upward trend in the principal operating expenses which is not matched by a corresponding increase in revenue.

4. SECOND SCHEDULE.

Passage Rates - Groups 1 - 5.

The increases sought are appropriately 10%

i.e. 22/- to 24/6 (basic)
 49/6 to 55/- "
 82/6 to 91/6 "

Return passages, paid for at the time of the initial booking, valid six months, subject to 25% rebate.

5. Group 6.

To and from Montevideo and Punta Arenas.

Montevideo. £22 to £25 minimum rate.
 (return) £44 to £50 " "

Punta Arenas £16.10. -. to £18. 15. -. minimum rate.
 (return) £33. -. -. to £37. 10. -. " "

/Off

Off-season Rates Montevideo/Stanley or vice versa.

Normal single fare plus 50% to be charged for return voyages made within the following periods -

- (a) 16th November to 28th February.
- (b) Round trip voyages commencing Northbound in July/August
- (c) Round trip voyages commencing Southbound in December/January.

6. Living aboard "Darwin". In Port.
40/- per day.

(a) Round trip passengers from Montevideo wishing to remain aboard "Darwin" while she is in the Falkland Islands waters will pay a daily rate of 40/-. This rate includes full victualling and no additional fares in respect of coastwise voyages will be charged.

7. Children. No change.
Premium rates. No change.
Conditions of carriage. No change.

8. Catering. Inter-Island voyages.

	Breakfast	5/-.
5/-	Lunch	7/6.
5/-	Dinner	7/6.

Early morning or afternoon tea 1/-.

low 15/- or Contract rate per day ²70/- ? 20/-

Overseas voyages.

Included in the relative fare.

9. Cargo Rates.

(a) Montevideo and Punta Arenas.

General cargo. Increase from 88/4d per ton weight or measurement to 90/-.

Special Stowage Increase from 176/8d per ton and

Dangerous Cargo. weight or measurement to 180/-.

Parcel Freight. Increase from 2/6d per cubic foot to 3/-, minimum 10/-.

/(b).

(b). Inter-Island Freight Rates. Between Stanley and Camp Ports and vice versa.

We consider that the time has come to introduce differential rates for inter-island general cargo based on Jetty and cargo handling facilities. Present rates are based on mileage and are unrealistic in relation to labour costs and turn-round times, nor do they provide financial inducement to Farm Owners to provide better facilities.

Out of 40 ~~off~~ ports-of-call in the Islands only three (Port San Carlos - Roy Cove - Moro) have Jetties at which "Darwin" can safely lie at all stages of the tide.

At only one "scow" port (Pebble Island) are there any cargo-handling facilities on the Jetty.

We have therefore classified Ports under headings A to E as follows and enclose a copy of the revised schedule which shows the present rate per ton and the surcharge applicable to each port.

<u>Classification.</u>	<u>Surcharge per ton.</u>
A. Ports with jetties at which "Darwin" can always berth.	NIL
B. Ports with jetties at which "Darwin" can usually berth, tide permitting, and where scows can always work afloat.	10/-
C. Ports with jetties where "Darwin" cannot berth, but scows can always work afloat.	15/-
D. Ports with jetties where "Darwin" cannot berth and scows cannot work at low tide.	25/-
E. Ports without jetties, scows work off open beaches.	30/-

Ports such as Pebble, New Island and others with seagoing craft automatically become "A" ports if their vessel receives from or discharges into "Darwin" at anchor.

10. Freight on Produce. Farm to London.

This is not covered by the Mail Contract but we propose an extension of port classification by introducing

a third grade.

<u>Classification.</u>	<u>WOOL/SKINS.</u>	
	<u>Present.</u>	<u>Proposed.</u>
	<u>Prt 1,000 kilis.</u>	
(1) "A" above.	£ 34. 6. -.	£ 34. 6. -.
(2) "B" and "C" above.	£ 35.10. -.	£ 35. 6. -.
<u>Note.</u> "B" is usually upgraded to "A" rate when "Darwin" loads Produce direct from Jetty.		
(3) "D" and "E" above.	£35.10. -.	£ 36. 6. -.

11. Charter Vessel Freights. Ex U.K. to Stanley.

These are not covered by the Mail Contract. The current through rate is U.K./Montevideo Conference Rate plus 88/4d per ton weight or measurement, plus wharfage at Stanley.

The rising level of Montevideo Port expenses and stevedoring costs have caused Conference Lines to put a surcharge of 10% on freight rates but it is not our present intention to impose this charge on cargo per chartered vessels which do not call at Montevideo.

12. Duration of Contract. Clause 21.

We suggest $4\frac{1}{2}$ years certain, and thereafter subject to 6 months notice.

The writer will call at any time to discuss points which may not be clear to you, and we shall be glad if early attention can be given to the proposals to enable us to bring them into operation at 1st January next.

I am,

Sir,

your obedient servant,

A. G. Norton

Manager.

The Honourable

The Colonial Secretary,

STANLEY.

R. M. S. " D A R W I N ".

EXPENDITURE 1958 - 1962.

REVENUE 1958 - 1962.

	<u>1958.</u>	<u>1959.</u>	<u>1960.</u>	<u>1961.</u>	<u>1962.</u>		<u>1958.</u>	<u>1959.</u>	<u>1960.</u>	<u>1961.</u>	<u>1962.</u>
Cabin Stores £	6,242	7,549	9,149	10,551	10,946	Passages	11,040	11,222	9,993	9,510	15,281
Deck Stores	3,583	4,012	842	1,506	2,217	Victualling	466	436	497	924	2,389
Fuel Oil	22,619	15,475	19,665	19,885	20,435	Freight (Local)	25,954	25,125	27,932	22,562	24,776
Engine Room Stores	2,343	1,444	1,398	1,326	1,681	Freight (Overseas)	4,984	6,605	8,699	11,650	8,059
Wages	15,089	17,560	18,887	22,353	24,753	Transshipment recovd.	654	630	620	2,052	1,963
Laundry	534	461	516	779	1,070	Mail Subsidy	13,200	20,400	17,300	17,300	17,300
Repairs	14,810	7,073	11,311	10,815	10,031	Sundries	1,544	2,848	2,392	2,655	3,445
Port Dues (Overseas)	2,332	1,584	1,597	2,583	3,695	LOSS	33,620	14,740	23,513	32,637	37,000
Transshipment Chgs.	441	601	652	2,334	2,096						
Stevedoring (Overseas)	3723	4,977	6,958	7,499	11,140						
Insurance	9,556	8,028	8,073	7,701	6,882						
Tug Hire	1,092	913	1,003	1,313	1,413						
Salary of Captain	857	1,697*	1,400	1,325	2,775*						
Agency Fees	91	43	38	196	315						
Stevedoring (Stanley)	2,030	2,044	2,010	1,869	2,164						
Passages & Trav. Exps.	632	2,434	692	967	1,668						
Consular Fees	240	190	226	220	359						
Sundries	5,248	5,921	6,529	6,068	6,573						
	<u>£ 91,462</u>	<u>82,006</u>	<u>90,946</u>	<u>99,290</u>	<u>110,213</u>		<u>£ 91,462</u>	<u>82,006</u>	<u>90,946</u>	<u>99,290</u>	<u>110,213</u>
	=====	=====	=====	=====	=====		=====	=====	=====	=====	=====

* Salary of Captains - 2. years

The Falkland Islands Co.,
A. G. Bartlett
Ma

684

FREIGHT TARIFF.

PRESENT
BASIC RATE
PER TON.

CLASSIFICATION AND SURCHARGE.

A.

B.

C.

D.

E.

TOTAL.

Port Phillip	40/-		15/-			55/-
Bluff Cove	40/-				30/-	70/-
Johnsons Harbour	40/-			25/-		65/-
Green Patch	40/-			25/-		65/-
Port Louis N.	40/-		15/-			55/-
Darwin	52/4	10/-				62/4
Lively Island	52/4		15/-			67/4
Walker Creek	52/4				30/-	82/4
Bleaker Island	58/6			25/-		83/6
Moro	58/6	NIL.				58/6
North Arm	58/6		15/-			73/6
Port San Carlos	58/6	NIL.				58/6
Rincon Grande	58/6			25/-		83/6
San Carlos	58/6	10/-				68/6
Salvador	58/6		15/-			73/6
Teal Inlet	58/6	10/-				68/6
Swan Island	72/6			25/-		97/6
Speedwell Island	72/6		15/-			87/6
George Island	72/6			25/-		97/6
Barren Island	72/6		15/-			87/6
Fox Bay E.	84/2		15/-			99/2
Fox Bay W.	84/2		15/-			99/2
Great Island	84/2			25/-		109/2
Port Howard (JLW)	84/2	10/-				94/2
Port Howard (Packe)	84/2			25/-		109/2
Beaver Island	95/-		15/-			110/-
Chartres	95/-	10/-				105/-
Carcass Island	95/-		15/-			110/-
Dunnose Head	95/-			25/-		120/-
Hill Cove	95/-	10/-				105/-
Golding Island	95/-				30/-	125/-
Keppel Island	95/-				30/-	125/-
New Island	95/-			25/-		120/-
Pebble Island	95/-		15/-			110/-
Port Stephens	95/-		15/-			110/-
Roy Cove	95/-	NIL.				95/-
Saunders Island	95/-			25/-	30/-	125/-
Weddell Island	95/-			25/-		120/-
West Point Island	95/-			25/-		120/-
Many Branch Harbour	117/6	Minimum \$75 per call			30/-	147/6
Passage Island	117/6				30/-	147/6
Sea Lion Island	117/6				30/-	147/6

) Usually to vessel
alongside "A" rate.

) Occasionally to vessel
alongside, "A" rate.
Occasionally at "B" rate.

327

685

The Falkland Islands Company, Limited.

(INCORPORATED BY ROYAL CHARTER 1851.)

REGISTERED 1902

AGENTS FOR LLOYDS.

TELEGRAMS "FLEETWING PORTSTANLEY" VIA RADIO.



Stanley,

20th December, 1963.

5

Sir,

MAIL CONTRACT.

679 With reference to our letter dated 4th December, 1963 and the subsequent meeting in His Excellency's Office on the 14th at which you were present, we have now to inform you that we are instructed to seek no immediate increase in Passage and Freight rates by the Company's vessels.

2. We are authorised to negotiate a new Mail Contract on the basis of the Executive Director's memorandum dated 30th August, 1962 subject to further negotiations for increased Passage and Freight rates to become effective at 1st January, 1965.

3. We are further instructed to request that the life of the new Contract is fixed for three and a half years certain from 1st January, 1964. The Company's 1962 memorandum does not suggest any precise duration for the Contract and we assume that Executive Council memorandum No. 50/63 is based on the Company's memorandum dated 16th August, 1963 which envisaged a life of three years certain.

The extra six months duration which we now ask should not present any insuperable obstacle to the drawing up of a new Contract.

I am,
Sir,
your obedient servant,

C. G. Boulton
Manager.

The Honourable

The Colonial Secretary,

STANLEY.

Ack'd HL

20/12/63

Reply at 688

J.E.,

I discussed this with Mr. Barton, and stressed the significance of para 2 which suggests that Govt will be asked to negotiate freight rate increases before the working results of 1964 is known.

Mr. Barton explained that it was the company's intention to put up a case for increasing the rates with effect from 1st January 1965, based on the notional profit (or loss) of Dairin Shipping Ltd for the year 1964. He inferred that a variable subsidy would be payable in 1965 (as a result of 1964 working) and that the company would leave it to Govt to decide whether the rates should be increased or whether to accept the variable subsidy as a pattern for the following year. He appeared to suggest that Govt would dislike the idea of paying a variable

subsidy ~~and~~ confirmed that the company were not contemplating a profit exceeding 6% of the s/o value of Darwin. He added that as a result of transferring Darwin Shipping to Stanley there were 'one or two' charges that had not previously been allocated to the shipping account, e.g. a share of the Directors' travelling expenses.

As long as profits are near the 6% mark and the question of increasing rates ~~or~~ or paying variable subsidy is for Govt to decide, then I think that all is well. I am, however, apprehensive of "charges not previously borne by shipping" but we must rely on the Income Tax Representative in London to safeguard our interests in this respect.

I think we should proceed with the signing and hold our breath for three and a half years.

L.G.
24.12.63

Yes, this will have to be watched.

✓

8th

January,

64.

Dear Sir,

Mail Contract

I refer to your letter dated the 20th December, 1963.

2. Government is now prepared to enter into negotiations for a new Mail Contract, for a period of three and a half years, effective from the 1st January, 1964.

3. Whilst Government is not prepared to commit itself on the question of any increase in Passage and Freight Rates with effect from next year it is quite willing to enter into general negotiations on the matter.

4. I suggest that we arrange a suitable date for a meeting as soon as possible. To save further correspondence this can be done by telephone.

Yours faithfully,

W.H. Thompson
(Sgd.) H.B.-Bound

COLONIAL SECRETARY

The Manager,
Falkland Islands Co., Ltd.,
STANLEY.

WT/IM.

20.1.64
Bu ~~12.1.64~~

28th January,

64.

Dear Sir,

I refer to our recent conversation Barton/Thompson and
enclose a draft Agreement for your examination and discussion.

Yours faithfully,

(Sgd.) W.H. Thompson

COLONIAL SECRETARY

The Manager,
Darwin Shipping Ltd.,
STANLEY.

WE/IM.

10 February,

64.

Dear Sir,

Mail Contract

I refer to our recent meeting, together with Mr. Gleadell, and attach a draft agreement for your perusal and such comment as may be necessary.

2. Your attention is drawn to the two blanks in Clause 17: the first requires no explanation, and the second awaits the answer to your enquiries in London.

Yours faithfully,

(Sgd.) W.H. Thompson

COLONIAL SECRETARY

A.G. Barton, Esq., C.B.E.,
Falkland Islands Co., Ltd.,
STANLEY.

WT/IM

CONFIDENTIAL

By 17 2 64.

691

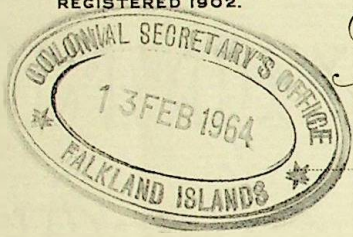
The Falkland Islands Company, Limited.

(INCORPORATED BY ROYAL CHARTER 1851.)

REGISTERED 1902.

AGENTS FOR LLOYDS.

TELEGRAMS "FLEETWING PORTSTANLEY" VIA RADIO



Stanley

13th February, 19 64.

Dear Sir,

MAIL CONTRACT.

690

Thank you for the Draft Agreement with copy of Schedule attached to your letter of 10th February, 1964 and for the further copy of the Agreement received today, which we will send to our Head Office by the next outgoing mail.

I hope and believe that the Board of the Company will accept the revised wording of Section 17 in the ~~material~~ ^{mutual} spirit of co-operation which is so essential to the operation of this unique agreement.

Yours faithfully,

A.G. Barton

Manager.

The Honourable
The Colonial Secretary,
STANLEY.

Ad'd
H
13/2/64
—

Bu 17.3 bu
Bu 17.4 bu
bu 28.5 bu

0327/IV

7th May,

64.

To: Director of Civil Aviation;

From: The Colonial Secretary,

Supt. Posts & Telecommunications;

STANLEY.

Darwin Mail Service

Please discuss in my office Tuesday morning the 12th of May
at 9 a.m.

(Sgd) W.H. Thompson.

COLONIAL SECRETARY

WH2/PA

BU 15.6.64

BU 12.5.64
BU 20.5.64 (64)

SM/1

893
STANLEY OFFICE

S.O.

15/1
26.2.64.

11th May,

64

PRECIS NO. 1713

MAIL CONTRACT

Agreement

We enclose by airmail two copies of the revised Agreement and have sent by sea mail a further copy. A copy of the original Agreement forwarded with your Precis 1077 is returned as requested.

We have the following comments to make on the amendments other than those of a minor nature. The clause numbers refer to those on the amended agreement.

Clause 1

for.
The original agreement provided that the Company should provide a steamship maintained to Lloyds highest class. If by any chance the Company were unable to maintain the Darwin to this class they would legally be bound to provide another steamship. The clause has, therefore, been re-worded to provide that the Company shall use its best endeavours to maintain the vessel to Lloyds highest class. The words "...and to enable shipment of produce to home markets to be effected." are unnecessary.

Original Clause 5

Charter vessels have not been within the terms of previous Mail Contracts but the financial results of these operations are to be included in any calculation for variable subsidy purposes.

The m.v. "A.E.S" is chartered for four round voyages a year because it is a much more economical method of shipping produce to London and stores to the Colony, but this is a commercial decision made each year and we would not want to commit ourselves to chartering a vessel throughout the term of the contract. We have no intention, however, of altering the present basis of shipping in the foreseeable future.

Clause 3.

This replaces the original Clauses 6(a) and 6 (b) and establishes freight rates from U.K. to destination Falkland Islands at Conference Rate plus rates shown in the Second Schedule.

cont'd..

1900

Clause 12

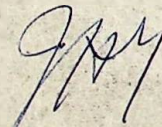
The original Clause 15 (c) would cause difficulty in practice. We have, therefore, deleted the words "but the Company shall be at liberty to make such voyages on its own account and at its own expense".

Any voyage to South America other than those scheduled in Clause 12 (b) will therefore be subject to negotiation.

Clause 14

This clause has been completely re-drafted. In its original form it could be argued that Government were entitled to the average return over two or three years but this is not what is intended.

We have provided that the Income Tax allowances which are now shown in the Third Schedule shall be adopted for the purposes of calculating the written down value, the profit and the assessment for Colonial Income Tax purposes. We are confident the Government will agree that this is desirable.


Executive Director.

P.S. When preparing the Second Schedule, please insert a new paragraph 5 (d) on the following lines:

"Overseas, other than Montevideo and Punta Arenas. The proper Conference Rate from the overseas port to Montevideo plus the rates quoted in sub-paragraphs (a) (b) and (c) above from Montevideo to the Falkland Islands destination unless otherwise agreed with the Government."

It will, therefore, be necessary for you to obtain agreement of the Government to the rebate on furniture freight.

3rd July, 64.

Dear Sir,

I confirm our agreement that payments for voyages made by R.M.S. 'Darwin' will be made in equal quarterly payments of four thousand one hundred and twenty-five pounds.

Any abatement for voyages not made or uncompleted will be taken into account in the last quarter of each calendar year.

If unforeseen difficulties result in a greatly reduced number of voyages, any necessary adjustments will be a matter for negotiation.

My record shows that, so far this year, six voyages have been paid for.

Yours faithfully,

W. H. THOMPSON

OFFICER ADMINISTERING THE GOVERNMENT

The Manager,
Darwin Shipping Limited,
STANLEY.

WHT/IM.

copy sent to C. & Spt.

J. & J. SAWYER & CO.

CHARTERED ACCOUNTANTS

E. J. DRISCOLL
W. E. JOHNSON
G. E. JONES

GEJ/SS.

29
file.
5,6954
64, CANNON STREET,
LONDON, E.C.4.

Telephone: CITY 7034

6th July, 1964.

The Secretary,
Darwin Shipping Ltd.,
PORT STANLEY,
Falkland Islands.

Dear Sir,

We certify that the Written Down value of
R.M.S. "Darwin" including Equipment and Scows amounted
to £228,191 as at the close of business on the 31st
December 1963.

Yours faithfully,

J. J. Sawyer & Co.

Mail Contract-
file

696

7th July,

64.

Dear Sir,

I attach a carbon copy of the "mail contract" which we discussed together with Mr. Young the other day.

If you agree that it is in order I will arrange the final printing.

Yours faithfully,

(Sgd.) W.H. THOMPSON

(W.H. THOMPSON)

OFFICER ADMINISTERING THE GOVERNMENT

The Manager,
Darwin Shipping Ltd.,
STANLEY.

WHT/DM.

10.7.64
Bu 17.7.64

DARWIN SHIPPING Ltd.

Directors : A. G. BARTON, C.B.E., W. H. YOUNG.

PORT STANLEY,
FALKLAND ISLANDS.

8th. July. 19 64

His Honour
The Officer Administering the Government
Stanley.

file
S1

Dear Sir,

696 With reference to your letter of the 7th. instant reference 0327/IV and enclosed copy of the "Mail Contract", we confirm that the contract and schedules one and three are as agreed.

We enclose our proposals for the revision of schedule two. The revisions proposed were generally detailed in our letter of 4th. December 1963, and we now enclose details of expenditure and Revenue for R.M.S. "Darwin" in 1963. The item under expenditure for repairs should be increased by £5,000 which was incurred in 1963 but paid in 1964, increasing the loss to £28,816.

We also enclose a copy of the revised local and Produce freight tariff we intend to circulate if our proposals are agreed. You will appreciate that the freight rates on produce are not governed by the "Mail Contract".

Will you be good enough to arrange a further interview when you have considered our proposals and advise us if you require any further evidence in support of our request for increases in fares and freights.

Yours faithfully,

for DARWIN SHIPPING LIMITED.

A. G. Barton

Director.

Reply at 698

Wish
only keep in
4000 p.a.

15H July,

64.

Dear Sir,

697 I refer to your letter of the 8th July, 1964, concerning the schedules to the Mail Contract, and in particular to schedule 2.

I have personal sympathy with your views and see no reason why they should not be considered by Government, but I am inhibited by previous views expressed by Sir Edwin Arrowsmith and the Colonial Treasurer Mr. Gleadell.

I would therefore prefer that negotiation on a new schedule 2 should be deferred until Mr. Gleadell's return from overseas leave. I feel I need his advice and I have no wish to disregard his views which are on my files.

As far as I can gather he is not against increased tariffs but he has made certain reservations which should be taken into account and which need his personal explanation.

If you will agree to postpone discussion on a new schedule 2 I suggest we proceed with the signing of the agreement as drawn up.

Yours faithfully,

(W.H. THOMPSON)
OFFICER ADMINISTERING THE GOVERNMENT

The Manager,
Darwin Shipping Ltd.,
STANLEY.

WHT/IM.

25.7.64



Stanley

17th July 1964

899

The Honourable

The Colonial Secretary

Dear Sir

We have been informed by Darwin Shipping Ltd. that they are asking Government to approve certain surcharges on local freights.

We respectfully request that the occasion be used to revise basic local freight rates. These at present do not seem to have any consistent and comprehensible basis, and contain gross anomalies. For instance freight from Stanley to Pebble Island is charged at a basic rate 13% higher than that to Fox Bay, although the former is considerably nearer to Stanley than the latter.

Basic rates for 'far west' farms are at present nearly $2\frac{1}{2}$ times those to farms nearest Stanley; and their working costs and cost-of-living of their employees thereby appreciably increased. We contend that this differential is too great, the cost of loading equivalent quantities of cargo in Stanley and unloading them at ports with equivalent facilities being fixed, and a large part of the whole, irrespective of distance of voyage.

We therefore ask that Darwin Shipping Ltd. be requested, before approval of the proposed surcharges, to submit revised local freight rates on the basis of a fixed charge per ton, plus so much per mile that the destination is distant from Stanley, by the shortest sea route, so calculated that the most distant farms are not charged more than they are at present.

Yours faithfully

[Signature]

Manager, Chartres.

[Signature]

Manager, Roy Cove.

[Signature]

Manager, Hill Cove.

Rec'd
15/2/64

702
Reply at 11/2/64

R. M. S. "DARWIN".

*file
Complete
(These are important)*

EXPENDITURE 1958 - 1962.

REVENUE 1958 - 1962.

	<u>1958.</u>	<u>1959.</u>	<u>1960.</u>	<u>1961.</u>	<u>1962.</u>		<u>1958.</u>	<u>1959.</u>	<u>1960.</u>	<u>1961.</u>	<u>1962.</u>	<u>1963.</u>	<u>1963.</u>
Cabin Stores	£ 6,242	7,549	9,149	10,551	10,946	Passages	11,040	11,222	9,993	9,510	15,281	10,013	14,604
Deck Stores	3,583	4,012	842	1,506	2,217	Victualling	466	436	497	924	2,389	2,568	392
Fuel Oil	22,619	15,475	19,665	19,885	20,435	Freight (Local)	25,954	25,125	27,932	22,562	24,776	18,470	{ 33,568
Engine Room Stores	2,343	1,444	1,398	1,326	1,681	Freight (Overseas)	4,984	6,605	8,699	11,650	8,059	1,429	{
Wages	15,089	17,560	18,887	22,353	24,753	Transshipment recovd.	654	630	620	2,052	1,963	23,694	1,627
Laundry	534	461	516	779	1,070	Mail Subsidy	13,200	20,400	17,300	17,300	17,300	951	20,600
Repairs	14,810	7,073	11,311	10,815	10,031	Sundries	1,544	2,848	2,392	2,655	3,445	4,423	2,851
Port Dues (Overseas)	2,332	1,584	1,597	2,583	3,695	LOSS	33,620	14,740	23,513	32,637	37,000	3,024	23,816
Transshipment Chgs.	441	601	652	2,334	2,096							1,819	
Stevedoring (Overseas)	3723	4,977	6,958	7,499	11,140							11,227	
Insurance	9,556	8,028	8,073	7,701	6,882							6,261	
Tug Hire	1,092	913	1,003	1,313	1,413							1,379	
Salary of Captain	857	1,697*	1,400	1,325	2,775*							1,650	
Agency Fees	91	43	38	196	315							181	
Stevedoring (Stanley)	2,030	2,044	2,010	1,869	2,164							2,234	
Passages & Trav. Exps.	632	2,434	692	967	1,668							546	
Consular Fees	240	190	226	220	359							310	
Sundries	5,248	5,921	6,529	6,068	6,573							7,279	
	<u>£ 91,462</u>	<u>82,006</u>	<u>90,946</u>	<u>99,290</u>	<u>110,213</u>		<u>£ 91,462</u>	<u>82,006</u>	<u>90,946</u>	<u>99,290</u>	<u>110,213</u>	<u>97,458</u>	<u>97,458</u>

* Salary of Captains - 2. ~~years~~

The Falkland Islands Co., Ltd.

Manager.

DARWIN SHIPPING LIMITED

FREIGHT TARIFF

PORTS	PRESENT	CLASSIFICATION AND SURCHARGE					TOTAL.
	BASIC RATE PER TON.	A.	B.	C.	D.	E.	
BLUFF COVE	40/-					30/-	70/-
FITZROY	40/-			15/-			55/-
LIVELEY Is.	52/4			15/-			67/4
DARWIN	52/4		10/-				62/4
WALKER CREEK	52/4					30/-	82/4
BLEAKER Is.	58/6				25/-		83/6
NORTH ARM	58/6			15/-			73/6
SPEEDWELL Is.	72/6			15/-			87/6
BARREN Is.	72/6			15/-			87/6
GEORGE Is.	72/6				25/-		97/6
SWAN Is.	72/6				25/-		97/6
FOX BAY WEST	84/2			15/-			99/2
FOX BAY EAST	84/2			15/-			99/2
PORT STEPHENS	95/-			15/-			110/-
WEDDELL Is.	95/-				25/-		120/-
BEAVER Is.	95/-			15/-			110/-
NEW Is.	95/-				25/-		120/-
DUNNOSE HEAD	95/-				25/-		120/-
CHARTRES	95/-		10/-				105/-
ROY COVE	95/-	NIL					95/-
WEST POINT Is.	95/-				25/-		120/-
CARCASS Is.	95/-			15/-			110/-
HILL COVE	95/-		10/-				105/-
SAUNDERS Is.	95/-					30/-	125/-
PEBBLE Is.	95/-			15/-			110/-
GOLDING Is.	95/-					30/-	125/-
KEPPEL Is.	95/-					30/-	125/-
PORT HOWARD (J.L.W.)	84/2		10/-				94/2
PORT HOWARD (PACKE)	84/2				25/-		109/2
SAN CARLOS	58/6		10/-				68/6
PORT SAN CARLOS	58/6	NIL					58/6
SALVADOR	58/6			15/-			73/6
RINCON GRANDE	58/6				25/-		83/6
TEAL INLET	58/6		10/-				68/6
MORO	58/6	NIL					58/6
GREEN PATCH	40/-				25/-		65/-
JOHNSONS HARBOUR	40/-				25/-		65/-
PORT LOUIS N.	40/-			15/-			55/-
MANY BRANCH HARBOUR	117/6	} MINIMUM £ 75 PER CALL				30/-	147/6
PASSAGE Is.	117/6					30/-	147/6
SEA LION Is.	117/6					30/-	147/6

CLASSIFICATION.

- Ports with jetties at which "Darwin" can always berth.
- Ports with jetties at which "Darwin" can usually berth, tide permitting, and where scows can always work afloat.
- Ports with jetties where "Darwin" cannot berth, but scows can always work afloat.
- Ports with jetties where "Darwin" cannot berth and scows cannot work at low tide.
- Ports without jetties, scows work off open beaches.

Ports such as Pebble, New Island and others with seagoing craft automatically become "A" ports if their vessel receives from or discharges into "Darwin" at anchor.

PRODUCE.

WOOL/SKINS.

Present.

Proposed.

CLASSIFICATION.

Per 1,000 kilos.

"A" PORTS

£ 34. 6. -.

£ 34. 6. -.

"B" and "C" PORTS

£ 35.10. -.

£ 35. 6. -.

Note. "B" ports are upgraded to "A"
rate when "Darwin" loads produce
direct from jetty.

"D" and "E" PORTS

£ 35.10. -.

£ 36. 6. -.

THE FIRST SCHEDULE ABOVE REFERRED TO

The Steamer shall comply with the requirements of Lloyd's highest class and have suitable accommodation for a minimum of thirty-six saloon passengers in fourteen cabins, dining and smoke rooms.

Dimensions 220 feet between perpendiculars, 40 feet moulded beam and 17 feet 6 inches moulded depth.

Cubic capacity about 40,000 cubic feet.

Gross tonnage 1792.86. Net tonnage 738.55. Speed 12 knots.

THE SECOND SCHEDULE ABOVE REFERRED TO

Particulars of :-

Service - ports of call
Passage and freight rates
Conditions of carriage of cargo and passengers etc.

DARWIN SHIPPING LIMITED
SERVICE

1. The Company carries Her Majesty's mails between Islands Ports, the United Kingdom, Montevideo and Punta Arenas. The following are the ports of call.

<u>East Flakland</u>	<u>West Falkland</u>	<u>Overseas</u>
Bluff Cove	Fox Bay	Montevideo
Fitzroy	Port Stephens	Punta Arenas
Goose Green	Weddell Island	Any United Kingdom
Lively Island	Beaver Island	Port.
North Arm	New Island	
Bleaker Island	Dunnose Head	
Speedwell Island Group	Chartres	
Sancarlos	Roy Cove	
Port Sancarlos	West Point Island	
Rincon Grande	Carcass Island	
Teal Inlet	Hill Cove	
Moro	Saunders Island	
Salvador	Pebble Island Group	
Johnson's Harbour	Port Howard	
Port Louis		
Green Patch		

2. Passage Rates. From Stanley to following ports and vice versa

		<u>Basic</u>	<u>Premium</u>
Group 1.	Berkeley Sound Ports Fitzroy Bluff Cove	24/6	29/6
Group 2.	Goose Green Lively Island Salvador Water Ports	55/-	66/-
Group 3.	All other Ports	91/6	110/-
Group 4.	Inter-Port Passages up to 30 miles 31 to 65 miles Over 65 miles	24/6 55/- 91/6	29/6 66/- 110/-

Return Passages

Return Passages from Ports within the same Group, with six months validity, payable in advance, may be obtained at a discount of 50% of the single fare. This concession is also applicable to Round Voyages.

Catering Inter-Island Voyages

Breakfast	5/-
Lunch	7/6
Dinner	7/6
Early morning or afternoon tea	1/-
OR Contract rate per day	20/-

		<u>Basic</u>	<u>Premium</u>
Group 5.	Montevideo	£25	£30
	Punta Arenas	£18 15.0	£22.10.0
	(Government taxes not included)		

Catering. Overseas Voyages

- (a) Included in fare for period of voyage.
 (b) Passengers using the ship as a hotel in Stanley or Overseas Port. £2 each per day.

Off-season Rates (Montevideo only)

An off-season return rate @ $1\frac{1}{2}$ times the normal single fare will be applicable to the following voyages.

1. Between the second half November and the end of February.
2. Northbound round trip voyages commencing July/August.
3. Southbound round trip voyages commencing December/January.

Round trip passengers from Montevideo wishing to remain aboard the vessel while in Falkland Islands waters will pay a daily all-in rate of 40/- . This rate includes full victualling and no additional fares in respect of coastwise voyages will be charged.

Classification of Accommodation

Basic :	4 X 4-berth cabins 2 X 2/3 berth cabins	Main Deck
Premium:	8 X 2-berth cabins	Upper Deck
Sole occupancy of cabin by special arrangement.		

Children's Fares

10 years and over	Full adult fare
Over 5 years and under 10 years	Half adult fare
Over 1 year and under 5 years	Quarter adult fare
Under 1 year	Free

Two children paying quarter fare each will occupy one berth. Cots will be provided for infants when possible, free of charge.

3. Conditions of Carriage of Passengers and Baggage

1. Passengers are carried on the terms and conditions printed on the Company's passenger tickets.
2. The Company reserves the right to charge the fare applicable to the most distant port when passengers are bound for a port called at after the most distant port, e.g. a passenger booked for Goose Green by a vessel going North-about from Stanley, calling at Fox Bay before Goose Green will pay the passage money equal to the fare to Fox Bay.

3. Baggage Allowance :- 36 cubic feet
 4. Excess Baggage :- At freight rate

4. Cargo Rates

Cargo is accepted on the terms and conditions printed on the Company's Bills of Lading.

(a) Montevideo & Punta Arenas

General Cargo	90/- per ton w/m	} These freights are exclusive of wharfage and/or transhipment charges wherever incurred.
Special Stowage & Petrol	180/- Per ton w/m	
Minimum Bill of Lading as for $\frac{1}{2}$ ton w/m		
Parcel freight	3/- per cubic ft. min. 10/-	
Light oils in bulk by special arrangement		

(b) Inter-port. Between Stanley & vice versa

Berkley Sound & Fitzroy	40/- per ton w/m plus surcharge	
Lively Is. & Darwin (Goose Green)	52/6 " " " " "	
Speedwell Is. Group	72/6 " " " " "	
Other East Falkland Ports	58/4 " " " " "	
Fox Bay & Port Howard	84/2 " " " " "	
Other West Falkland Ports	95/- " " " " "	
* Manybranch Harbour	} 117/6 " " " " "	
* Passage Is. & Sea Lion Is.		

* (If ~~over~~ 10 tons. If less than 10 tons £75 per call)

(c) Inter-port. Rates not specified in 4 (b)

Up to 30 miles	40/- per ton w/m plus surcharge
31 to 50 "	52/6 " " " " "
51 to 100 "	58/6 " " " " "
101 to 120 "	84/2 " " " " "
121 & above	95/- " " " " "

Special calls can usually be arranged provided there is sufficient inducement.

(d) Parcels & Local. No parcels weighing over 28lb will be accepted. The minimum charge per parcel is 5/- for the first 11 lb and thereafter 6d. per lb.

(e) Animals. to any Island port:-

Cats	7/6d. each
Dogs	10/- "
Poultry (in crates)	2/- "
Pigs (incrates)	freight rates
Cattle	£3 each
Horses	£3 "
Horses (across Falkland Sound)	£2 "
Sheep (in crates)	£2 "
Sheep - shifting in numbers - by arrangement	
Sheep (carcasses) East Falkland	5/- each
West Falkland)	
Beef Quarters	10/- "
Overseas - by arrangement	

5. WAREHOUSING.

Any cargo delivered into the Company's Warehouse(s) or other storage place is given free storage for seven days, after which the Company reserves the right to charge for storage at the rate of 13/4d. (thirteen shillings and fourpence) per ton weight or measurement per month or part of a month.

all storage at Owner's risk

6. PRODUCE

For shipment overseas. By arrangement at rates which include lighterage where required, shipment, storage, transshipment, Bill of Lading and Agency. i.e. all charges from point of shipment to final discharge.

7. DEVIATION & DEMURRAGE - By arrangement.

THE FIRST SCHEDULE ABOVE REFERRED TO

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Gross tonnage 1792.86. Net tonnage 738.55. Speed 12 knots.

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- Service - ports of call
- Passage and freight rates
- Conditions of carriage of cargo and passengers etc.

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Up to 30 miles	40/- per ton w/m plus surcharge	
31 to 50 "	52/6 " " " " "	
51 to 100 "	58/4 " " " " "	
101 to 120 "	84/2 " " " " "	
121 & above	95/- " " " " "	

Special calls can usually be arranged provided there is sufficient inducement.

(d) Parcels - Local. No parcels weighing over 28lb will be accepted. The minimum charge per parcel is 5/- for the first 11 lb and thereafter 6d. per lb.

(e) Animals. to any Island port:-

Cats	7/6d. each
Dogs	10/- "
Poultry (in crates)	2/- "
Pigs (incrates)	freight rates
Cattle	£3 each
Horses	£3 "
Horses (across Falkland Sound)	£2 "
Sheep (in crates)	£2 "
Sheep - shifting in numbers - by arrangement	
Sheep (carcasses) East Falkland	} 5/- each
West Falkland	
Beef Quarters	10/- "
Overseas - by arrangement	

5. WAREHOUSING.

Any cargo delivered into the Company's Warehouse(s) or other storage place is given free storage for seven days, after which the Company reserves the right to charge for storage at the rate of 13/4d, (thirteen shillings and fourpence) per ton weight or measurement per month or part of a month.

all storage at Owner's risk

6. PRODUCE

For shipment overseas. By arrangement at rates which include lighterage where required, shipment, storage, transshipment, Bill of Lading and Agency. i.e. all charges from point of shipment to final discharge.

7. DEVIATION & DEMURRAGE - By arrangement.

THIRD SCHEDULE.

ANNUAL ALLOWANCES

R.M.S. DARWIN 1/18th x 5/4ths - FLAT RATE.

EQUIPMENT 12 1/2% x 5/4ths ON WRITTEN DOWN VALUE

SCOWS

Over 5 and Under 6 Years Old 1/19th x 5/4ths)

" 4 " " 5 " " 1/20th x 5/4ths)

FLAT RATE

" 3 " " 4 " " 1/21st x 5/4ths)

" 2 " " 3 " " 1/22nd x 5/4ths)

NEW 3% x 5/4ths.

100 Vidi

~~172~~
701

FALKLAND ISLANDS

THIS INDENTURE made this 30th day of July, 1964,
between THE GOVERNMENT OF THE FALKLAND ISLANDS (hereinafter
called "the Government") of the one part and DARWIN SHIPPING
LIMITED, STANLEY, FALKLAND ISLANDS, whose Registered Office
is situate at Stanley House, Stanley, Falkland Islands
(hereinafter called "the Company") of the other part.

WHEREAS the Government is desirous of providing for the trans-
mission of mails, passengers and freight within the home trade
limits of the Colony, the collection of produce and the transit
of mails, passengers and freight within and between the Colony
and the mainland of South America and between the Colony and
the United Kingdom upon the terms hereinafter appearing which
terms are acceptable to the Government.

NOW THESE PRESENTS WITNESS AND IT IS HEREBY AGREED AND
DECLARED by and between the parties hereto as follows that is
to say:

a. These provisions shall be regarded as having become
operative from the first day of January, 1964, and shall remain
in force during the currency of this Agreement.

b. In this Agreement the following expressions shall
have the following meaning:-

"THE COLONY" means the Colony of the Falkland
Islands.

"THE GOVERNOR" means the Officer Administering the
Government of the Colony or the Colonial Secretary
acting on his behalf.

"THE POSTMASTER" means the officer for the time
being exercising the function of that office.

"VARIABLE SUBSIDY" means any payment made by
Government which is calculated in accordance with
clause 14 of this Agreement.

1. The company shall provide R.M.S. Darwin (hereinafter called "the steamship") short particulars of which are set out in the First Schedule hereto and shall use their best endeavours to maintain it in Lloyd's highest class for the carriage of mails, passengers and freight between the Colony and Montevideo, Uruguay, and between the several ports of the Colony and generally to provide transport facilities for farm settlements in the Colony. Provided that should the steamship become a total loss or be rendered wholly unseaworthy owing to circumstances not within the Company's control this Agreement shall forthwith be terminated. Provided that the Company may charter a cargo carrying vessel for the purpose of carrying mails, freight and passengers as may be necessary.

2. The steamship shall be properly found in all respects and capable of carrying not less than thirty-six saloon passengers with reasonable comfort and shall at all times be supplied and furnished with whatever may be requisite and necessary for rendering the Steamship having regard to the nature thereof constantly efficient for the services hereby contracted to be performed and shall also be manned with a proper and efficient crew of officers, engineers and seamen. The steamship shall be fitted with wireless telegraphy apparatus as required by the Ministry of Transport and Civil Aviation for a vessel of this class.

3. The maximum passenger fares and freight rates charged by the Company where detailed in the Second Schedule hereto attached shall not be altered or amended except by and with the consent of Government.

4. The Company shall not charge the Government any Landing or Wharfage Charges at Stanley on bona fide Government cargo carried on inter-island voyages and voyages to and from the South American continent.

5. In consideration of the payments hereinafter mentioned the Company shall convey free of any charge whatever to the Government on any voyage made for the Government under this Agreement from any Port and to any Port included in the itinerary of such voyage all mails both letter mails and parcel mails which the Governor through the Postmaster may desire so to be conveyed.

6. The Company shall as hereinafter mentioned provide at its own cost a convenient and proper place or places of deposit on board the Steamship and cargo vessel for the safe keeping of the aforesaid mails and in particular the letter mails shall be placed under secure lock and key and shall be cleared by an officer of the Post Office or other person authorised to such effect by the Governor upon the arrival of the Steamship or cargo vessel at a port of call within the Colony and by some officer duly authorised to such effect upon the arrival of the Steamship or cargo vessel in the dock at Montevideo or other foreign port of call and the Company shall also provide a suitable boat properly manned and equipped and whatever else may be necessary for the safe embarkation and disembarkation of the same mails and shall defray all charges for the immediate taking on board and landing of the same mails.

7. All mails carried under this Agreement are to be delivered on the quayside nearest adjacent to the Steamship or cargo vessel by the Postmaster or other official appointed for the purpose and shall be delivered in like manner from the vessel to the Postmaster or other official appointed by him for the purpose and the Master of the Steamship or cargo vessel shall without any charge to the Government other than that otherwise provided in this Agreement to be paid to the Company take due care of and the Company shall be responsible for the receipt, safe custody and delivery of the mails as aforesaid and the Master of the Steamship or cargo vessel shall make such Declaration as shall be required by the Postmaster or his

officers or agents or by the proper Authority in the United Kingdom, at Montevideo or other foreign ports and shall furnish such journals, returns and information and perform such services as may be required by the Postmaster or his officers or agents or by the proper authority in the United Kingdom, at Montevideo or other foreign port and the Master shall on arrival at any of the said places of the Steamship or cargo vessel either himself or by some competent person deliver all mails for such place into the hands of the Postmaster or other person authorised to receive them and shall receive in like manner all the return or other mails to be forwarded in due course.

8. The Company shall be responsible for the loss or damage of any parcel or of any registered postal packet of any kind conveyed or tendered for conveyance under this Agreement (unless such loss or damage be caused or occasioned by Act of God, the Queen's enemies, pirates, restraints of Princes, rulers, or people, jettison, barratry, fire, collision, or perils or accidents of the seas, rivers and steam navigation) and in the event of any such loss or damage (except as aforesaid) the Company shall be liable to pay to the Postmaster in respect of each parcel or registered postal packet so lost or damaged (subject to the proviso hereinafter contained) such sum of money as shall be equal to the amount which may have been awarded and paid by the Postmaster at his sole option and discretion (and although not under legal obligation) to the sender or addressee of such parcel or registered postal packet as compensation for the loss or damage thereof provided that such sum shall not in any one case exceed One pound per parcel or Two pounds per registered postal packet.

9. The Company shall not nor shall the Master of the Steamship or cargo vessel receive or permit to be received on board the Steamship or cargo vessel any letters for conveyance other

than those contained in Her Majesty's mails.

10. The Company and the Master of the Steamship or cargo vessel and all agents, seamen and servants of the Company shall at all times punctually attend to the orders and directions of the Postmaster, his officers or agents or the proper authority in the United Kingdom, at Montevideo or other foreign port as to the mode, time and place of landing, delivering and receiving mails provided always that such orders and directions shall be in conformity with the provisions of this Agreement.

11. The Company shall not carry nor permit to be carried in the Steamship any nitro-glycerine or any other substance or articles which in the opinion of the Government shall be dangerous except with the permission of the Governor.

12. (a) The Steamship shall make such voyages from Stanley to Montevideo and return as the Government may require not exceeding twelve voyages each way in any one year. The dates of these voyages shall be fixed by the Company in consultation with the Government.

(b) The Steamship shall make not less than twelve calls in every year at a principal port on the main West Falkland Island in the course of separate voyages. The term principal port shall be taken to mean any one of the following places, videlicet, Fox Bay, Port Howard, Port Stephens and Hill Cove.

(c) Additional voyages to Montevideo or voyages to other places on the South American continent or to the Dependencies shall be the subject of special arrangement between the Government and the Company.

Provided the cargo vessel has adequate accommodation for twelve persons single voyages (not exceeding two in each direction during the months of January and February; June and July) Stanley to Montevideo or vice versa may be made in any year during the currency of this contract and shall be regarded as adequate substitutes for the voyages required by the Steamship under Clause 12 (a). In such cases it shall be

permissible to carry mails suitably stowed in holds.

13. In consideration of the carriage of mails as provided for in this Agreement so long as this Agreement is in force the Government shall pay to the Company in Stanley, or by mutual agreement in London by the Crown Agents on behalf of the Government, the sum of Sixteen thousand five hundred pounds per annum in equal quarterly payments of Four thousand one hundred and twenty-five pounds or in such other manner as may be agreed between the Government and the Company; provided that an abatement at the rate of One thousand two hundred and fifty pounds per return voyage or of Six hundred and twenty-five pounds per single voyage shall be made in respect of any of the twelve return voyages specified in Clause 12 (a) hereof which the Company may be unable from any cause to perform or on which it may be unable from any cause to carry mails, passengers and cargo in accordance with the provisions of this Agreement.

14. The Government shall further guarantee the Company a return from its shipping operations in each year during the continuance of this contract equal to 6% of the written down value of the Steamship and her ancillary equipment at the commencement of the year and a pro rata proportion in respect of each part of a year. On 1st January, 1964, this value was £228,191. The profits (or losses) from which this variable subsidy shall be calculated shall be those accepted for income tax purposes before capital allowances by the Official Income Tax Representative in London, except that

- i. there shall be permitted a deduction in respect of depreciation at the rates detailed in the Third Schedule hereto attached.
- ii. interest and income from investments shall be disregarded in calculating the return on shipping.
- iii. there shall be permitted a deduction of the premium transferred by the Company to the internal fund

created by the Company to provide for the first £300 of each and every loss relating to the vessel and the first £10 of each and every loss relating to medical expenses of the crew.

The rates of depreciation detailed in the Third Schedule attached shall be the rates allowable for Colonial Income Tax purposes and shall be the rates adopted in calculating the written down value of the Steamship and her ancillary equipment.

Should the Company be of the opinion that basic operating expenses have increased to such an extent that a profit per annum of six per centum of the current written down value of the Steamship and her ancillary equipment cannot be obtained agreement to increases in passenger and, or, freight rates shall not be unreasonably withheld by the Government

15. In the event of any breach of this Agreement by the Company or failure on the part of the Company fully to carry out the terms, stipulations or provisions hereof (unless the Company shall prove to the satisfaction of the Governor that such breach or failure arose solely from a cause or causes beyond the control of the Company and the servants of the Company) the Company shall be liable by way of penalty and not as liquidated damages for any such breach or failure to pay to the Government such a sum not exceeding £5 : 0 : 0d (five pounds sterling) as the Governor shall determine and if such breach or failure shall continue to a further penalty of £5 : 0 : 0d (five pounds sterling) for every day during which such breach or failure may continue and should there be any repetition of such breaches or failures or any breach or failure on the part of the Company which is in the opinion of the Governor to render such a course desirable the Government may by giving to the Company notice in writing forthwith determine this Agreement but without prejudice to the rights or remedies of the Government in respect of any antecedent breach of this

Agreement by the Company and nothing herein contained shall prevent the Government in the event of such breach or failure from making such other arrangements as shall seem to the Government fit for the despatch and carriage of the aforesaid mails and passengers by some other vessel or vessels from bringing an action for damage against the Company instead of recovering a penalty under this Clause.

16. Nothing in this Agreement shall be deemed to or shall impose any personal liability on the Governor or on any other member or Officer of the Government.

17. The Government shall not be liable for any loss or damage whatever which may be sustained by the Company in consequence of the employment of the Steamship or cargo vessel on any of the services contracted to be performed under this Agreement.

18. This Agreement shall continue in force for a period of three and a half years from the date mentioned in the preamble a. hereof and shall continue thereafter on the same terms until either party gives to the other six months' written notice at any time to determine same.

IN WITNESS whereof Willoughby Harry Thompson, Colonial Secretary, for the time being the Officer Administering the Government for and on behalf of the Government of the Falkland Islands has hereunto set his hand and seal and Arthur Grenfell Barton on behalf of Darwin Shipping Limited, has hereunto set his hand and seal the day and year first above written.

SIGNED SEALED AND DELIVERED
by WILLOUGHBY HARRY THOMPSON,
Colonial Secretary, for and on
behalf of the Government of the
Falkland Islands in the presence
of

(Sgd) W. H. Thompson

Colonial Secretary

(Sgd) D. R. Morrison
for Assistant Colonial Secretary

(L.S.)

SIGNED SEALED AND DELIVERED
by ARTHUR GRENFELL BARTON, on
behalf of Darwin Shipping
Limited in the presence of

(Sgd) A. G. Barton

Colonial Manager

(Sgd) D. R. Morrison
for Assistant Colonial Secretary

THE FIRST SCHEDULE ABOVE REFERRED TO

The Steamship shall comply with the requirements of Lloyd's highest class and have suitable accommodation for a minimum of thirty-six saloon passengers in fourteen cabins, dining and smoke rooms. Dimensions 220 feet between perpendiculars, 40 feet moulded beam and 17 feet 6 inches moulded depth. Cubic capacity about 40,000 cubic feet. Gross tonnage 1792.86. Net tonnage 738.55. Speed 12 knots.

THE SECOND SCHEDULE ABOVE REFERRED TO

Particulars of:-

Service - ports of call.

Passage and freight rates.

Conditions of carriage of cargo and passengers
etc.

DARWIN SHIPPING LIMITED

SERVICE.

1. The Company carries Her Majesty's mails between inter-island ports, the United Kingdom, Montevideo and Punta Arenas. The following are the ports of call:-

<u>East Falkland</u>	<u>West Falkland</u>	<u>Overseas</u>
Darwin	Hill Cove	Montevideo
Goose Green	Fox Bay	Punta Arenas
North Arm	Roy Cove	Any United Kingdom
Walker Creek	Port Stephens	Port
San Carlos	Port Howard	
Port San Carlos	Pebble Island	
Lively Island	Keppel Island	
Bleaker Island	Saunders Island	
Speedwell Island	West Point Island	
Group	Carcass Island	
Port Louis North	New Island	
& South	Weddell Island	
Johnson's Harbour	Beaver Island	
Salvador	Chartres	
Teal Inlet	Dunnose Head	
Rincon Grande	Albemarle	
Fitzroy		
Douglas Station		
Horseshoe Bay		
Bluff Cove		

2. PASSAGE RATES. From Stanley to following ports and vice versa:

GROUP 1.	Berkeley Sound	}	SALOON 22/-
	Fitzroy		
	Bluff Cove		

GROUP 2.	Darwin	}	49/6d
	Walker Creek		
	Salvador		
	Rincon Grande		
	Teal Inlet		
	Douglas Station		
	Horseshoe Bay		
	Lively Island		

GROUP 3.	North Arm	}	82/6d
	Speedwell Island		
	Group		
	Bleaker Island		
	Brenton Loch		
	San Carlos		
	Port San Carlos		
	Port Howard		
	Fox Bay		
	Port Stephens		
	Chartres		
	Dunnose Head		
	Roy Cove		
	Hill Cove		
	Albemarle		

GROUP 4.	New Island	}	82/6d
	Beaver Island		
	Weddell Island		
	Passage Islands		
	Pebble Island		
	Keppel Island		
	Carcass Island		
	Saunders Island		
	West Point Island		

GROUP 5. INTER-PORT PASSAGES for which rates are not specified in Groups 1 to 4.

Up to 30 miles	22/-
31 to 65 miles	49/6d
Over 65 miles	82/6d

GROUP 6. Montevideo Single, Saloon £22 Return £44.
Minimum rate.

Punta Arenas Single, Saloon £16. 10s. Od.
Return £33 Minimum rate.

(Government taxes not included)

CHILDREN.	12 years or over	Full adult fare
	6 years and under 12 years	Half fare
	2 years and under 6 years	Quarter fare
	1 child under 2 years	Free
	Each additional child	
	under 2 years	Quarter fare

The fares quoted are MINIMUM rates and are applicable to:-

4 x 4 berth cabins	}	Main Deck
2 x 2/3 " "		
8 x 2 Bedstead cabins on Upper deck		

will be subject to a supplement of 25% on the MINIMUM rate per bed.

Sole occupancy of cabin by special arrangement.

BERTHING OF CHILDREN. Two children paying quarter fare each will occupy one berth. Cots will be provided for infants when possible, free of charge.

BERTHS. Berths are not guaranteed on inter-island voyages. Berths are not available for passengers making a voyage within the hours of sunrise and sunset but if required and if available an additional charge will be made of 10/- per berth.

Passengers are carried on the terms and conditions printed on the Company's passenger tickets.

3. CONDITIONS OF CARRIAGE OF PASSENGERS AND BAGGAGE

The Company reserves the right to charge the fare applicable to the most distant port when passengers are bound for a port called at after the most distant port, e.g., a passenger booked for Darwin by a vessel going North about East Falkland and calling at Fox Bay and then Darwin will pay the passage money equal to the fare to Fox Bay.

Round voyages, coastwise:- twice the single fare to
the most distant port.

Baggage allowance:- 36 cubic feet.

Excess Baggage will be charged at freight rates.

4. CATERING. INTER-ISLAND VOYAGES.

Breakfast, Dinner or Supper @ 5/- per meal.

Early morning or afternoon tea, 1/-.

Or contract rate per day 15/-.

OVERSEAS VOYAGES

Included in the relative fare.

5. CARGO RATES. Cargo is accepted on the terms and conditions printed on the Company's Bill of Lading.

(a) MONTEVIDEO & PUNTA ARENAS.

General cargo - 88/4d per ton weight or measurement.	} These freights are exclusive of wharfage and/or trans-shipment charges wherever incurred.
Special stowage & Petrol - 176/8d per ton weight or measurement.	
Minimum per Bill of Lading as for half ton weight or measurement.	
Parcel freight:- 2/6d per cubic foot, minimum 10/-.	
Light oils in bulk, by special arrangement.	

(b) INTER-PORT FREIGHT RATES. Between Stanley and vice versa.

Berkeley Sound & Fitzroy - 40/- per ton weight or measurement.					
Lively Island & Darwin - 52/6d "	"	"	"	"	"
Speedwell Island Group - 72/6d "	"	"	"	"	"
Other East Falkland Ports - 58/4d "	"	"	"	"	"
Fox Bay & Port Howard, Great Island & Island Harbour - 84/2d "	"	"	"	"	"
Other West Falkland Ports - 95/- "	"	"	"	"	"
Manybranch Harbour, Passage Island & Sea Lion Island - 117/6d "	"	"	"	"	*

* (If over 10 tons. If less than 10 tons, £60 per call)

(c) INTER-PORT RATES. Freight rates which are not specified in 5 (b).

Up to 30 miles	40/- per ton weight or measurement					
31 to 50 "	52/6d "	"	"	"	"	"
51 to 100 "	58/4d "	"	"	"	"	"
101 to 120 "	84/2d "	"	"	"	"	"
121 & above	95/- "	"	"	"	"	"

Special calls can usually be arranged provided there is sufficient inducement.

(d) OVERSEAS, OTHER THAN MONTEVIDEO AND PUNTA ARENAS.

The proper Conference Rate from the overseas port to Montevideo plus the rates quoted in sub-paragraphs (a) (b) and (c) above from Montevideo to the Falkland Islands destination unless otherwise agreed with the Government.

(e) PARCELS - LOCAL. No parcels weighing over 28 lb will be accepted. The minimum charge per parcel is 5/- for the first 11 lb and thereafter 6d per lb.

(f) ANIMALS. To any Island port:-

Cats	-	7/6d each
Dogs	-	10/- "
Poultry (in crates)	-	2/- "
Pigs (in crates)	-	freight rates
Cattle	-	£3 each
Horses	-	£3 "
Horses (across Falkland Sound)	-	£2 "
Sheep (in crates)	-	£2 "
Sheep - shifting in numbers	-	by arrangement
Sheep (carcasses)	East Falkland West Falkland	} 5/- each
Beef Quarters	-	

OVERSEAS - by arrangement.

6. WAREHOUSING. Any cargo delivered into the Company's Warehouse(s) or other storage place is given free storage for seven days, after which the Company reserves the right to charge for storage at the rate of 13/4d, (thirteen shillings and fourpence) per ton weight or measurement per month or part of a month.

All storage is at Owner's risk

7. PRODUCE - for shipment overseas. By arrangement at rates which include lighterage where required, shipment, storage, transhipment, Bill of Lading and Agency, i.e. all charges from point of shipment to final discharge.

8. DEVIATION & SPECIAL VOYAGES - By arrangement.

THIRD SCHEDULE

ANNUAL ALLOWANCES

R.M.S. DARWIN	1/18th	x	5/4ths	-	FLAT RATE.
EQUIPMENT	12 $\frac{1}{2}$ %	x	5/4ths	ON	WRITTEN DOWN VALUE

SCOWS

Over 5 and Under 6 Years Old	1/19th	x	5/4ths	} FLAT RATE
" 4 " " 5 " "	1/20th	x	5/4ths	
" 3 " " 4 " "	1/21st	x	5/4ths	
" 2 " " 3 " "	1/22nd	x	5/4ths	
NEW 3%	x	5/4ths.		

copies sent to

FIC - 6

SPT - 1

Treasury - 1

under a Comp. Slip.

JA.

31.7.64

31st July, 64.

Dear Sirs,

699 Thank you for your letter of the 17th July, 1964 concerning freight rates.

2. No negotiations have yet been entered into with Darwin Shipping Ltd. and I assure you that your request and views will be carefully taken into account when they do take place.

Yours faithfully,

(Sgd.) W. H. Thompson

OFFICER ADMINISTERING THE
GOVERNMENT

The Manager Chartres and co-signatories,
CHARTRES.

WHT/TB.

Bu 18.12.64/69

~~674~~
703

6th August, 1964.

Dear Les,

I am sorry to bother you during your leave but the mail contract is causing just a little trouble. We have signed it without any difficulty and the Company have been accommodating. However it is a question of an increase in freight rates. You are quite firmly against an increase but over the past four months there have been two increases in Merchant Navy rates of pay which, the Company argue, has materially altered the position.

I have told them that I am not prepared to negotiate any increases in freight rates until your return. I need your advice and views on the matter. However there is great pressure for a freight rate increase as from the 1st January next and I have promised the Company that we will discuss as soon as you return. I realise this means getting down to it as soon as you come back but I see no alternative and this letter is to warn you.

The Company case is really this: they agree with our view that we should keep freight rates down insofar as the general running of Darwin Shipping is concerned, but they are not with us when it comes to salary increases which are thrust on them from the U.K. without warning. They feel that with the ever increasing climb in merchant seamen's rates of pay that these at least should be charged to the consumer (as it were). They have something!

Life here goes on in the good old winter fashion; and winter has not been too dreadful. Nothing alarming has happened at all and I expect by now you have heard the news of our new Governor. One Cosmo Dugal Patrick Thomas Maskard from Nyasaland.

/...

L. Gleadell, Esq.,
28 Lewis Road,
Sidcup,
KENT.

See 70-7

Page 2

Sheelagh sends her regards to Vera and hopes that everything is going along well.

Don't bother to answer this letter: it is just a warning as to what you have to plunge into when you come back.

Oh, I forgot to say congratulations on Bisley: the team did jolly well.

As ever,

Tommy.

VHT/LH

Bu 18/12/64
(698)



704

The Falkland Islands Company, Limited.

(INCORPORATED BY ROYAL CHARTER 1851.)

REGISTERED 1902.

AGENTS FOR LLOYDS.

Stanley,

TELEGRAMS "FLEETWING PORTSTANLEY" VIA RADIO.

3rd. September

19 64

The Hon. the Colonial Secretary
Stanley.

Sir,

Mail Contract

Our Head Office points out that the wording of the First Schedule (Page 10) conflicts with Section 1 (Page 2) and ~~to~~ suggests that in the Schedule the words "comply with the requirements of Lloyd's highest class and" shall be omitted. *Agreed*

2. Second Schedule

1. Overseas

For the words "Any United Kingdom Port" substitute the words "London, or such other United Kingdom port to which cargo is carried for discharge". *?*

2. Return Passages

For the words "50% of the single fare" substitute the words "25% of the return fare".

Off-season Rates (Montevideo only)

to read "an off-season return rate at twice the single fare, less 25%, will be applicable to the following voyages".

In the sentence beginning "round-trip passengers" delete the expression "all-in". Reason. The following sentence defines the entitlement of the round-trip passenger. *✓*

Please let us know in due course if the above amendments are acceptable to Government.

Yours faithfully

Q.R. Barton

Manager.

Replied at 705

0327/IV.

11th September,

64.

Dear Sir,

704. Thank you for your letter of the 3rd September, 1964, concerning the mail contract.

It seems to me that you are talking about the enclosures to paragraph 2 of your letter of the 8th July, 1964 and not of the contract itself.

Perhaps you would be kind enough to make this point clear.

Yours faithfully,

(Sgd.) H.L. Bound

for

COLONIAL SECRETARY

The Manager,
Falkland Islands Co., Ltd.,
STANLEY.

WHT/IM.

84-18-1264
C103

706

Amici.

Ref photos (704) & (705)

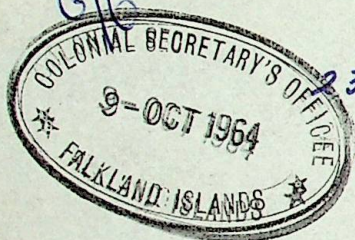
Spoken to A.S.B. on telephone
Who confirms (704) should be read
together with (697) when the time comes.

W.I.

14.9.64.

6/6 15/12/64

0327/IV



707

23 Lewis Road,
Peters,
Kent.

22 September 64

WIP

14.10.64

Dear Tommy,

703 Although your letter

of 6th August called for no reply,
and in any case I expect there is
a reasoned company argument to
consider, I thought it worth while
writing a few lines explaining
how I understood the future of
the mail contract has been agreed ^{accepted}
by both parties.

The company was prepared to
accept a minimum return of 6%
although, naturally, they would
like more and would always aim
at a higher figure. Costs

would almost certainly increase as time passed and there would come a time when Govt found itself required to pay a variable subsidy too frequently. When this situation became too great a burden on the revenue it would be up to the Government to suggest increased freight rates. Throughout this time the company would be - if not exactly "settling pretty" - at least continuing to enjoy the minimum return acceptable to them.

I have been asking questions over here (please keep this strictly confidential) and my information is that we shall not be required to pay a variable subsidy in the immediate or even foreseeable

future. Now then, before
the ink of the contract is dry,
can we be a party to increasing
the freight rates. I think the
initiative must now lie with
Government and can only be taken
as the result of having to pay
a variable subsidy too high
for our liking.

These are my views at the
moment. I reserve the right to
think differently when I have seen
the company's cars.

I am Campbell and I went to
see the biplane demonstration.
High winds prevented our having
a ride but we saw them in
action in rough conditions. I
think they have a future. How
limited I am scarcely qualified

to say, but I am quite sure
that it will be a considerable
time before the Hawaiian Islands
Government would be able to find
a use for them.

Talking to people at the
demonstration I found the opinion
that they are likely to take
away some of the work now done
by helicopter and ferryboats.
Another view point was that "they
were a solution looking for a
problem".

Yours sincerely
Les.

0327/15

708

1st December,

64.

Dear Sir,

Wharfage Charges

I refer to our discussion earlier today and confirm our agreement that wharfage charges on all cargo loaded at Montevideo will be applied at the rate of 23/- (twenty-three shillings) per ton with immediate effect.

Yours faithfully,

H. THOMPSON

COLONIAL SECRETARY

The Manager,
Falkland Islands Co., Ltd.,
STANLEY.

WHT/DM.

Kio Rec 15.12.64. (706)

C.S. I have NOT completed reading this file and would therefore like it back at a later date. On 18/12/64

709

ARWIN SHIPPING LIMITED

Directors: ~~XXXXXX~~ C.B.E., W. H. Young., R. G. Vinson.

Telegrams: "Fleetwing Portstanley"

STANLEY,
FALKLAND ISLANDS.

14th December, 1964

The Colonial Secretary,
Stanley.

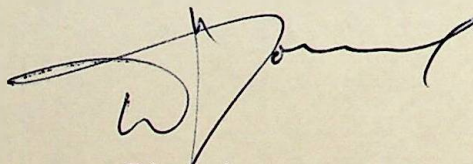
Dear Sir,

Mail Contract

Further to our letter of the 3rd September, last we enclose 4 copies of our draft of the First and Second Schedules incorporating minor amendments requested by our Head Office.

Further copies are available if required.

Yours faithfully,



Director.

Enc.

THE FIRST SCHEDULE ABOVE REFERRED TO

The Steamer shall have suitable accommodation for a minimum of thirty-six saloon passengers in fourteen cabins, dining and smoke rooms. Dimensions 220 feet between perpendiculars, 40 feet moulded beam and 17 feet 6 inches moulded depth. Cubic capacity about 40,000 cubic feet. Gross tonnage 1792.86. Net tonnage 738.55. Speed 12 knots.

THE SECOND SCHEDULE ABOVE REFERRED TO

Particulars of :-

- Service - ports of call
- Passage and freight rates
- Conditions of carriage of cargo and passengers etc.

DARWIN SHIPPING LIMITED

SERVICE

1. The Company carries Her Majesty's mails between Island Ports, the United Kingdom, Montevideo and Punta Arenas. The following are the ports of call:-

<u>East Falkland</u>	<u>West Falkland</u>	<u>Overseas</u>
Bluff Cove	Fox Bay	Montevideo
Fitzroy	Port Stephens	Punta Arenas
Darwin	Weddell Island	London, or such
Goose Green	Beaver Island	other United
Walker Creek	New Island	Kingdom Port to
Lively Island	Dunnose Head	which cargo is
North Arm	Chartres	carried for discharge
Bleaker Island	Roy Cove	
Speedwell Island Group	West Point Island	
Sancarlos	Carcass Island	
Port Sancarlos	Hill Cove	
Rincon Grande	Saunders Island	
Teal Inlet	Pebble Island Group	
Moro	Port Howard	
Salvador		
Johnson's Harbour		
Port Louis		
Green Patch		

2. PASSAGE RATES. From Stanley to following ports and vice versa:- (exclusive of calling for groups 1-5)

		<u>Basic</u>	<u>Premium</u>
GROUP 1.	Berkeley Sound Ports }		
	Fitzroy }	24/6	29/6
	Bluff Cove }		

GROUP 2.	Goose Green Lively Island Salvador Water Ports	55/-	66/-
GROUP 3.	All other Ports	91/6	110/-
GROUP 4.	Inter-Port Passages		
	up to 30 miles	24/6	29/6
	31 to 65 miles	55/-	66/-
	Over 65 miles	91/6	110/-
GROUP 5.	Round Voyages Stanley-Stanley - double the appropriate Return Passages fare to the furthest port visited less 25%.		

Return Passages from Ports within the same Group, with six months validity, payable in advance, may be obtained at a discount of 25 per cent of the return fare. ~~This concession is also applicable to Round Voyages.~~

Catering Inter-Island Voyages

Breakfast	5/-
Lunch	7/6
Dinner	7/6
Early morning or afternoon tea	1/-
OR Contract rate per day	20/-

	<u>Basic</u>	<u>Premium</u>
GROUP 6.		
Montevideo	£25	£30
Punta Arenas	£18 15s.	£22 10s.
(Government taxes not included)		

Catering Overseas Voyages

- (a) Included in fare for period of voyage.
- (b) Passengers using the ship as a hotel in Stanley or Overseas Port. £2 each per day.

Off-season Rates (Montevideo only)

An off-season discount of 25 per cent of the normal return fare will be applicable to the following voyages:-

1. Between the second half November and the end of February.
2. Northbound round trip voyages commencing July/August.
3. Southbound round trip voyages commencing December/January.

Round trip passengers from Montevideo wishing to remain aboard the vessel while in Falkland Islands waters will pay a daily rate of ~~40/-~~ £2. This rate includes full victualling and no additional fares in respect of coastwise voyages will be charged.

Classification of Accommodation

Basic:	4 x 4-berth cabins)	Main Deck
	2 x 2/3-berth cabins)	
Premium:	8 x 2-berth cabins	Upper Deck

Sole occupancy of cabin by special arrangement.

CHILDREN'S FARES

10 years and over	Full adult fare
Over 5 years and under 10 years	Half adult fare
Over 1 year and under 5 years	Quarter adult fare
Under 1 year	Free

Two children paying quarter fare each will occupy one berth. Cots will be provided for infants when possible, free of charge.

3. CONDITIONS OF CARRIAGE OF PASSENGERS AND BAGGAGE

1. Passengers are carried on the terms and conditions printed on the Company's passenger tickets.

2. The Company reserves the right to charge the fare applicable to the most distant port when passengers are bound for a port called at after the most distant port, e.g. a passenger booked for Goose Green by a vessel going North-about from Stanley, calling at Fox Bay before Goose Green will pay the passage money equal to the fare to Fox Bay.

3. Baggage Allowance:-- 36 cubic feet

4. Excess Baggage:-- At freight rate

4. CARGO RATES. Cargo is accepted on the terms and conditions printed on the Company's Bills of Lading.

(a) MONTEVIDEO AND PUNTA ARENAS

General Cargo	90/- per ton w/m)	These freights are exclusive of wharfage and/or transhipment charges wherever incurred.
Special Stowage and Petrol	180/- per ton w/m)	
Minimum Bill of Lading as for $\frac{1}{2}$ ton w/m)	
Parcel freight	3/- per cubic ft. min. 10/-)	
Light oils in bulk by special arrangement)	

(b) INTER-PORT FREIGHT RATES

Between Stanley and vice versa

PORTS	BASIC RATE PER TON	CLASSIFICATION AND SURCHARGE					TOTAL
		A.	B.	C.	D.	E.	
BLUFF COVE	40/-					30/-	70/-
FITZROY	40/-			15/-			55/-
LIVELEY Is.	52/6			15/-			67/6
DARWIN	52/6		10/-				62/6
WALKER CREEK	52/6					30/-	82/6
BLEAKER Is.	58/6				25/-		83/6
NORTH ARM	58/6			15/-			73/6
SPEEDWELL Is.	72/6			15/-			87/6
BARREN Is.	72/6			15/-			87/6
GEORGE Is.	72/5				25/-		97/6
SWAN Is.	72/6				25/-		97/6
FOX BAY WEST	84/2			15/-			99/2
FOX BAY EAST	84/2			15/-			99/2
PORT STEPHENS	95/-			15/-			110/-
WEDDELL Is.	95/-				25/-		120/-
BEAVER Is.	95/-			15/-			110/-
NEW Is.	95/-				25/-		120/-
DUNNOSE HEAD	95/-				25/-		120/-
CHARTRES	95/-		10/-				105/-
ROY COVE	95/-	NIL					95/-
WEST POINT Is.	95/-				25/-		120/-
CARCASS Is.	95/-			15/-			110/-
HILL COVE	95/-		10/-				105/-
SAUNDERS Is.	95/-					30/-	125/-
PEBBLE Is.	95/-			15/-			110/-
GOLDING Is.	95/-					30/-	125/-
KEPPEL Is.	95/-					30/-	125/-
PORT HOWARD (J.L.W.)	84/2		10/-				94/2
PORT HOWARD (PACKE)	84/2				25/-		109/2
SAN CARLOS	58/6		10/-				68/6
PORT SAN CARLOS	58/6	NIL					58/6
SALVADOR	58/6			15/-			73/6
RINCON GRANDE	58/6				25/-		83/6
TEAL INLET	58/6		10/-				68/6
MORO	58/6	NIL					58/6
GREEN PATCH	40/-				25/-		65/-
JOHNSONS HARBOUR	40/-				25/-		65/-
PORT LOUIS N.	40/-			15/-			55/-
MANY BRANCH HARBOUR	117/6)					30/-	147/6
PASSAGE Is.	117/6)	MINIMUM £ 75 PER CALL					147/6
SEA LION Is.	117/6)					30/-	147/6

CLASSIFICATION

- A. Ports with jetties at which "Darwin" can always berth.
- B. Ports with jetties at which "Darwin" can usually berth, tide permitting, and where scows can always work afloat.
- C. Ports with jetties where "Darwin" cannot berth, but scows can always work afloat.
- D. Ports with jetties where "Darwin" cannot berth and scows cannot work at low tide.
- E. Ports without jetties, scows work off open beaches.

Ports such as Pebble, New Island and others with seagoing craft automatically become "A" ports if their vessel receives from or discharges into "Darwin" at anchor.

Any port that improves its facilities will be reclassified if the improvements are of such a nature to warrant reclassification.

(c) INTER-PORT RATES. Not specified in 4 (b)

Up to	30	miles	40/-	per ton w/m)	Plus appropriate
31 to	50	"	52/6	" " "	surcharges appli-
51 to	100	"	58/4	" " "	cable to the
101 to	120	"	84/2	" " "	loading and dis-
121 and above	"	"	95/-	" " "	charging ports

Special calls can usually be arranged provided there is sufficient inducement.

(d) PARCELS -- LOCAL. No parcels weighing over 28lb. will be accepted. The minimum charge per parcel is 5/- for the first 11lb. and thereafter 6d. per lb.

(e) ANIMALS. To any Island port:--

Cats	7/6 each
Dogs	10/- "
Poultry (in crates)	2/- "
Pigs (in crates)	freight rates
Cattle	£3 each
Horses	£3 "
Horses (across Falkland Sound)	£2 "
Sheep (in crates)	£2 "
Sheep - shifting in numbers -	by arrangement
Sheep (carcasses) East Falkland)	5/- each
West Falkland)	
Beef Quarters	10/- "

Overseas - by arrangement

5. WAREHOUSING. Any cargo delivered into the Company's Warehouse(s) or other storage place is given free storage for seven days, after which the Company reserves the right to charge for storage at the rate of 13/4, (thirteen shillings and fourpence) per ton weight or measurement per month or part of a month.

All storage at Owner's risk

← All CAPS

(d) OVERSEAS, other than Montevideo & Punta Arenas.
The proper Conference Rate from the Overseas Port to Montevideo, plus the rates quoted in Sub-paragraphs (a) & (b) above from Montevideo to the F-1 destination; unless otherwise agreed with the Government.

Provided that any future alterations in the Conference Rates shall be ratified by the Government.

6. PRODUCE. For shipment overseas. By arrangement at rates which include lighterage where required, shipment, storage, transshipment, Bill of Lading and Agency, i.e. all charges from point of shipment to final discharge.

7. DEVIATION AND DEMURRAGE. By arrangement.

AGREEMENT

By virtue of the powers given by Clause 14 of the Agreement made on the 30th day of July, 1964, between THE GOVERNMENT OF THE FALKLAND ISLANDS of the one part, and DARWIN SHIPPING LIMITED, of the other part, it is agreed that the First and Second Schedules to that Agreement shall be amended as shown on the revised Schedules hereto attached, and that the revisions therein contained shall come into force and have effect from the 11th day of May, 1965.

IN WITNESS whereof Willoughby Harry Thompson, Colonial Secretary, for and on behalf of the Government of the Falkland Islands has hereunto set his hand and seal and William Hamilton Young on behalf of Darwin Shipping Limited, has hereunto set his hand and seal the day and year first above written.

SIGNED SEALED AND DELIVERED by
WILLOUGHBY HARRY THOMPSON, Colonial
Secretary, for and on behalf of
the Government of the Falkland
Islands in the presence of

(Sgd) W. H. Thompson
COLONIAL SECRETARY

(Sgd) D. R. Morrison

SIGNED SEALED AND DELIVERED by
WILLIAM HAMILTON YOUNG, on behalf
of Darwin Shipping Limited in the
presence of

(Sgd) W. Young
COLONIAL MANAGER

(Sgd) A. Sloggie

G.S.,

Re 697. I have spoken with Mr. Young. In addition to the amendments to the scale of charges in the Second Schedule, and the introduction of surcharges where inadequate landing facilities exist, he wishes to make certain other alterations. These are :

First Schedule. delete reference to Lloyds Highest Class. This follows the principle adopted in the body of the contract proper.

Second Schedule. 1. delete the words "any UK port" under the Overseas ports of ~~cd44~~ heading, and insert "London, or such other UK port to which cargo is carried for discharge".

2. Passage Rates. Add after vice versa "(excludes catering for groups 1 - 5)".

Group 5. Renumber as Group 6.

New Group 5. "Round voyage (Stanley-Stanley), double the appropriate fare to the farthest port visited, less 25%".

Return Passages. delete the last sentence.

Children's Fares. delete the word "Over" in the 2nd and 3rd lines.

Interport freight rates. delete the word "present" in the heading.

Produce. delete the word "at" in the first line.

I recommend acceptance of all these.

With regard to the proposals to increase the rates in the Second Schedule and to introduce surcharges for ports where landing facilities are poor, Mr. Young gave the following reasons in support of the case.

1. No appreciable increases have been made since about 1952. Since then the wage and salary structures in the islands have undergone great changes with considerable effect on the cost of running "Darwin". It is his contention that there should be some adjustments in the scale of charges in recognition of this.
2. The increases in passenger fares is unlikely to be a serious burden to any individual. Collectively the increases will make a useful contribution towards meeting the constantly increasing cost of the shipping service.
3. The cost of working the vessels at places where jetties are non-existent or inadequate is considerably greater than where good jetties exist, and it is proper that firms that have gone to the expense of erecting good jetties should be at some advantage over those where no landing facilities exist or where they are inadequate. The former have capital tied up in their jetties, the latter have it in the bank.

The timing of the request (even though it came in six months ago) is unfortunate, but Mr. Barton did notify Exco during the discussion of the new Mail Contract proposals that certain adjustments were being worked out. He mentioned in particular the surcharge for poor ports. The new contract took effect on 1st January, 1964, and we have yet to learn the result of the first year's working. The last part of Clause 14 sets out the position with regard to how far Government can oppose increased rates.

I have told Mr. Young that the matter will be put to the Governor in Council but that first we shall wish to have to hand either the actual trading result for 1964 or a very good estimate of what it is likely to be. Without this information it would be impossible to consider the matter for everything depends on it.

In view of the fact that these proposals were intended as pre-signing adjustments, and because I am of the opinion that some adjustments to the carrying charges are overdue and that the surcharge idea has much to commend it, I feel that Government should not be too rigid over the question of whether or not the 6% is achieved, but if it is exceeded by a considerable margin I doubt whether we would ~~wish~~ wish to proceed further with the proposals.

The matter now rests with FIC.

L.G.
23.12.64

6/6. 30.1.65.

S.

DARWIN SHIPPING LIMITED

R.G. Vinson

Directors: ~~XXXXXXXXXX~~, W. H. Young.

Telegrams: "Fleetwing Portstanley"



STANLEY,
FALKLAND ISLANDS.

29th January, 1965

The Colonial Secretary,
Stanley.

Dear Sir,

MAIL CONTRACT - Schedule II

With regard to our proposed revision to Schedule II of the Mail Contract, we must emphasize that our average return on shipping in the period 1958 to 1964 has been $7\frac{1}{2}$ per cent, which is completely inadequate if we are to cover the increased costs of replacing "Darwin" in due course.

During 1964 there was a substantial rise in Merchant Navy rates of pay which affected the cost of crewing "Darwin", and the full burden of these increases will be shown in the 1965 results. We were unable to resist the request for an increase in the hire of M.V. "A.E.S." and finally negotiated an increase of 10 per cent. The new rate of hire only affected the last charter voyage in 1964, but will cost approximately £6,600 in 1965, provided that we can negotiate a further years chartering on the same terms. As the owner originally asked for an increase of 25 per cent, his own mounting costs may well force him to ask a higher rate which will affect the last charter voyage in 1965.

On the 1st October, 1964, an increase in Montevideo stevedoring rates was imposed amounting to approximately 45 per cent on the then existing rates, which averaged between January and September, 1964, 60s. per ton on all cargo loaded by "Darwin" at Montevideo. The Montevideo wharfage charge imposed in December, 1964, of 23s. per ton does not fully cover this increase. Following the interim Stanley wage award contract rates for discharging cargo at Stanley have been increased by 6d. per ton, and it is reasonable to assume that further increases may be expected during 1965.

In general the trend over the past few years of ever increasing shipping costs ~~are~~ likely to be maintained, if not accelerated during the coming year. We feel that the small adjustments we are requesting in passage and freight rates are fully justified. On

/contd.

Colonial Secretary

- 2 -

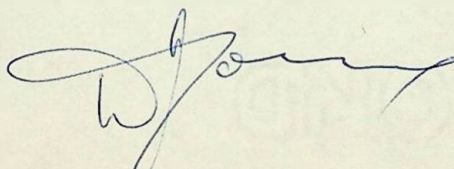
29th January. 1965

/contd.

the current volume of traffic we anticipate that these increases will bring in approximately £2,000 during a full year, and a case could well be made out for considerably greater increases than those requested.

We trust that agreement to our proposals will be granted as soon as possible.

Yours faithfully,

A handwritten signature in blue ink, appearing to be 'W. J. Jones', written in a cursive style.

Director.

EXTRACT FROM MINUTES OF MEETING NO. 1/65 OF EXECUTIVE COUNCIL

HELD ON THE 16th & 17th FEBRUARY, 1965.

0327/IV

11. MAIL CONTRACT

Arising from the Falkland Islands Company's application to increase passenger and freight rates and other charges for goods handled by their vessels, Council advised that in the first instance the Company should be asked to submit a memorandum covering the claim in detail so that the whole question could be considered by the unofficial members of Legislative Council on May 3rd.


CLERK OF COUNCIL

TB

19th February, 1965.

Dear Mr. Young,

I confirm that a meeting between yourself, on behalf of Darwin Shipping Ltd., and the Unofficial Members of the Legislature has been arranged for 9 a.m. on Monday the 3rd May, to discuss the Mail Contract.

The Colonial Treasurer will attend and may take the chair.

If you would be so kind as to submit as soon as possible a comprehensive explanatory memorandum I will send it out to the Members for their advance study.

Yours sincerely,

W. H. THOMPSON

W. H. Young, Esq.,
STANLEY.

Copy: C/T

WHT/TB.

Colonial Secretary's Office,
Stanley, Falkland Islands.

Ref: 0327/IV

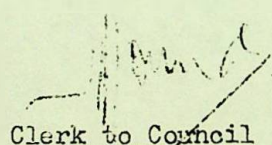
22nd February, 1965.

Dear All Members of Ex. And Leg. Councils,

The Budget Session of Council will start on Monday morning May 3rd and is expected to last until Wednesday evening May 5th 1965.

At 9 a.m. on Monday 3rd Mr. W.H. Young representing Darwin Shipping Limited will meet the members of Council to explain his companies requests in regard to freight increases and adjustments which are connected with the mail contract.

Yours faithfully,


Clerk to Council

Bu 1.5.65

715

DORWIN SHIPPING LIMITED

Directors: A. G. Barton, C.B.E., W. H. Young.

Telegrams: "Fleetwing Portstanley"

STANLEY,
FALKLAND ISLANDS.

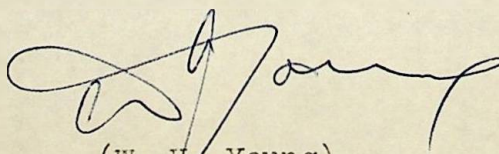
26th February, 1965

W. H. Thompson, Esq.,
Stanley.

Dear Mr. Thompson,

I have to acknowledge receipt of your letter of the 19th instant, reference 0327/IV, and confirm that I will meet the unofficial members of the Legislature at 9.00 a.m. on Monday, 3rd May, 1965. I will shortly prepare a memorandum which I will forward to you for circulation.

Yours sincerely,



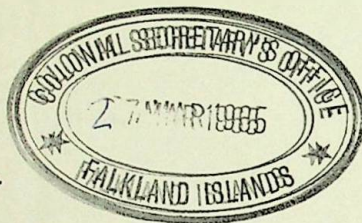
(W. H. Young)

This refers to shipping
Sales

BU 25.365

BU 7 4 65

6/6 716



SAN CARLOS
FALKLAND ISLANDS
SOUTH AMERICA

Ref: 0327/IV.

24th March, 1965.

6/6 716
3/2

Dear Sir,

with reference to your letter concerning the Budget Meeting, I am rather at a loss to know why we should have to meet Mr Young at 9.00 a.m. on the morning of Budget Day, "so that he can "explain his companies (sic) requests in regard to freight increases and adjustments which are ~~concerned~~ ^{connected} with the mail contract."

If these proposals are the same as were circularised to members of the S.O.A. in July then all members of Council are fully aware of the proposals with perhaps the exception of the two Stanley members. If they are not the same, then I think Council should be circularised about them well before Budget Day. Likewise if there is to be any controversy about them, let us have Mr Yung to a meeting of S.F.C. to voice his proposals - rather than an hour before Council meets.

I cannot see much point in this meeting at this time at all, if it is to present a 'fait accompli', every thing having ~~being~~ been decided in Executive Council, I, for one, beg to be excused. If the subject matter is liable to merit discussion, I think the meeting should be held at a time when there will be time for discussion, and I would respectfully submit that this is not an hour before H.E. presents his first Budget speech to Council.

Yours Faithfully,

A handwritten signature in dark ink, appearing to read "G. B. Innes". Below the signature are three dots "...".

The Hon.
The Colonial Secretary,
Secretariat,
STANLEY.

Reply at 7.17.

1st April, 1965.

Dear Mr. Bonner,

716

Thank you for your letter of the 24th of March about the pre-budget meeting with Mr. Young.

Please have no fear that we are trying to put over any fast ones on the Mail Contract. Far from it: I assure you.

We chose 9 a.m. on the morning of the first day of the Budget Session because that is the time at which we can be assured of maximum attendance, and then if any of you wish to blow your top you will have three or four days to do it in. Intermediate days and ones when we are all tired, and the choice of the last day might lead to an accusation of our giving insufficient time to deal with a matter of considerable importance.

As to the matter itself, I agree shipping charges were discussed in the S.O.A., but the application to Government was not. Neither Mrs. Vinson nor Dick Goss were present, and the S.O.A. is not the Legislature.

The Mail contract was approved before this Government was constituted, and this meeting arises out of the last full Standing Finance Committee when Mr. Blake asked for more information about it all.

I am sure you will find the meeting very well worthwhile and in line with the Governor's declared intention of keeping everyone well informed. I hope you will change your mind and come along.

Sincerely Yours,

The Honourable,
Mr. G.C.R. Bonner, J.P.,
SAN CARLOS.
WHT/IM.

(W.H. THOMPSON)

Bu 7/4/65 (715)
Bu 15.4.65

15th April, 1965.

Dear Bud,

715

Please refer to your letter of the 26th February.
May I please have the memorandum on the Mail Contract
as soon as possible.

Sincerely,

Tommy.

(W.H. THOMPSON)

W.H. Young, Esq.,
Falkland Islands Company Ltd.,
STANLEY.

WHT/LS

7. 5. 65.

Bu (r) ~~24/4/65~~

Letter for this
file?

6/6 719
have Contract
file

DARWIN SHIPPING LIMITED

REVISION OF SCHEDULE II OF MAIL CONTRACT

In 1962 the ever increasing cost of running Shipping services forced the Falkland Islands Company to request an increase in the Mail Subsidy, and a guaranteed minimum return on their Shipping activities of 6 per cent. At the same time it was suggested that these Shipping activities should be transferred to a Falkland Island registered Company to ensure that all profits earned would contribute to the Colony's revenue.

In 1963 the Falkland Islands Company requested increases in passage rates and victualling, and differential local freight rates graduated in accordance with the cargo handling facilities at camp ports. It was agreed to extend the then existing Mail Contract to 31st December, 1963, with an increase in the annual payment.

In early 1964 it was agreed to defer the revision of fares and freights until the 1st January, 1965. Owing to the absence of the Colonial Treasurer on leave, consideration of these revisions was deferred until December 1964, but an outline of the revisions was given to members of the Sheep Owners Association at their Meeting in July, 1964.

The revisions requested are as follows:-

LOCAL PASSAGE RATES

	<u>Present</u>		<u>Proposed</u>	
	Basic	Premium	Basic	Premium
Group 1.	22s. 0d.	27s. 0d.	24s. 6d.	29s. 6d.
Group 2.	49s. 6d.	62s. 0d.	55s. 0d.	66s. 0d.
Group 3.	82s. 6d.	102s. 6d.	91s. 6d.	110s. 0d.

Discount of 25 per cent of the return fare to be paid on return passages taken within six months.

VICTUALLING

The charges for lunch and dinner to be increased by 2s. 6d.

OVERSEAS FARES

	<u>Present</u>		<u>Proposed</u>	
	Basic	Premium	Basic	Premium
Montevideo	£22	£27 10s.	£25	£30
Punta Arenas	£16 10s.	£20 2s. 6d.	£18 15s.	£22 10s.

Discount of 25 per cent on the return passage to and from Montevideo in the off season

FREIGHT

- | | <u>Present</u> | <u>Proposed</u> |
|---|----------------------|----------------------|
| 1. Montevideo and Punta Arenas | 88s. 4d. per ton w/m | 90s. 0d. per ton w/m |
| 2. Local Freights - a schedule is attached. | | |

With regard to these proposals we must emphasize that our average return on Shipping in the period 1958 to 1964 was $7\frac{1}{2}$ per cent per annum. This is completely inadequate to provide any reserve for the increased cost of replacement.

During 1964 a substantial increase in Merchant Navy rates of pay affected the cost of crewing R.M.S. "Darwin", and the full burden of these increases will be shown in the 1965 results.

Commencing with the September, 1964 voyage of M.V. "A.E.S." we had to pay a 10 per cent increase in hire rates, which will cost

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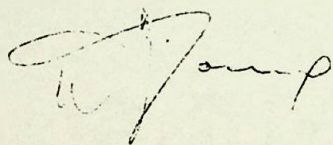
- 2 -

approximately £6,600 in 1965. We consider it probable that a further increase will have to be met for the last charter voyage in 1965.

On the 1st October, 1964 Stevedoring rates in Montevideo were increased by approximately 45 per cent. Between January and September, 1964 Stevedoring rates in Montevideo averaged 60s. Od. per ton on all cargo loaded by "Darwin".

The losses incurred by operating R.M.S. "Darwin" amounted to £23,816 in 1963 and increased to £29,418 in 1964, in view of the ever increasing shipping costs it would appear that these losses will be maintained if not increased during 1965.

We estimate that the proposed revisions would bring in approximately £2,000 additional during the full year.



Director.

20th April, 1965

DARWIN SHIPPING LIMITED

FREIGHT TARIFF

PORTS	PRESENT CLASSIFICATION AND SURCHARGE						TOTAL.
	BASIC RATE PER TON.	A.	B.	C.	D.	E.	
BLUFF COVE	40/-					30/-	70/-
FITZROY	40/-			15/-			55/-
LIVELEY Is.	52/4			15/-			67/4
DARWIN	52/4		10/-				62/4
WALKER CREEK	52/4					30/-	82/4
BLEAKER Is.	58/6				25/-		83/6
NORTH ARM	58/6			15/-			73/6
SPEEDWELL Is.	72/6			15/-			87/6
BARREN Is.	72/6			15/-			87/6
GEORGE Is.	72/6				25/-		97/6
SWAN Is.	72/6				25/-		97/6
FOX BAY WEST	84/2			15/-			99/2
FOX BAY EAST	84/2			15/-			99/2
PORT STEPHENS	95/-			15/-			110/-
WEDDELL Is. <i>See 724</i>	95/-			15/-	25/-		110/-
BEAVER Is.	95/-			15/-			110/-
NEW Is.	95/-				25/-		120/-
DUNNOSE HEAD	95/-				25/-		120/-
CHARTRES	95/-		10/-				105/-
ROY COVE	95/-	NIL					95/-
WEST POINT Is.	95/-				25/-		120/-
CARCASS Is.	95/-			15/-			110/-
HILL COVE	95/-		10/-				105/-
SAUNDERS Is.	95/-					30/-	125/-
PEBBLE Is.	95/-			15/-			110/-
GOLDING Is.	95/-					30/-	125/-
KEPPEL Is.	95/-					30/-	125/-
PORT HOWARD (J.L.W.)	84/2		10/-				94/2
PORT HOWARD (PACKE)	84/2				25/-		109/2
SAN CARLOS	58/6		10/-				68/6
PORT SAN CARLOS	58/6	NIL					58/6
SALVADOR	58/6			15/-			73/6
RINCON GRANDE	58/6				25/-		83/6
TEAL INLET	58/6		10/-				68/6
MORO	58/6	NIL					58/6
GREEN PATCH	40/-				25/-		65/-
JOHNSONS HARBOUR	40/-				25/-		65/-
PORT LOUIS N.	40/-			15/-			55/-
MANY BRANCH HARBOUR	117/6	} MINIMUM £ 75 PER CALL				30/-	147/6
PASSAGE Is.	117/6					30/-	147/6
SEA LION Is.	117/6					30/-	147/6

CLASSIFICATION.

- A. Ports with jetties at which "Darwin" can always berth.
- B. Ports with jetties at which "Darwin" can usually berth, tide permitting, and where scows can always work afloat.
- C. Ports with jetties where "Darwin" cannot berth, but scows can always work afloat.
- D. Ports with jetties where "Darwin" cannot berth and scows cannot work at low tide.
- E. Ports without jetties, scows work off open beaches.

Ports such as Pebble, New Island and others with seagoing craft automatically become "A" ports if their vessel receives from or discharges into "Darwin" at anchor.

PRODUCE.

WOOL/SKINS.

Present.

Proposed.

CLASSIFICATION.

Per 1,000 kilos.

"A" PORTS

£ 34. 6. -.

£ 34. 6. -.

"B" and "C" PORTS

£ 35.10. -.

£ 35. 6. -.

Note. "B" ports are upgraded to "A"
rate when "Darwin" loads produce
direct from jetty.

"D" and "E" PORTS

£ 35.10. -.

£ 36. 6. -.

8th May,

65.

Dear Sir,

I am glad to confirm that after your meeting with the Members of the Legislature the Executive Council confirmed the revision of Schedule 2 of the present Mail Contract.

It might be convenient for us to discuss how the revision should become part of the existing contract.

Yours faithfully,

W. H. T.

COLONIAL SECRETARY.

Rec 24/6/65

The Manager,
Falkland Islands Co. Ltd.,
STANLEY.

64 14 563

TC

10th June,

65

Dear Sir,

I refer to our recent conversation on the Mail Contract and the request of your London Office to ante-date charges to the 1st of January, 1965.

I would refer you to a conversation between your Managing Director and His Excellency the Governor at which various difficulties concerning the Mail Contract were discussed. I understand that at that meeting your Managing Director stated that no purpose would be served by attempting to levy back charges against the contract.

It was certainly not the intention of the Legislature that the Mail Contract should be made retrospective to any date and, indeed, I doubt whether back dated charges would be legally enforceable.

Almost certainly the reaction of those members of the public who could be charged for passages and cargoes from January to May 1965 would be extremely violent: the more so in view of persons who have left the Colony and cannot be traced and made to pay up. It seems to me that the Company's public relations would be severely damaged by any attempt to collect passage and freight charges back to the 1st of January.

Yours faithfully,

COLONIAL SECRETARY

The Manager,
Falkland Islands Co., Ltd.,
STANLEY.

M.

Pa
~~Re 21/6/65~~

42.

CS

Noted
1/10 29/7

See on 722
ment Contract
file
S.

I confirm that Mr W. H. Jones has made an approach on increased pay rates which the National Maritime Board has produced, and which, it appears, must be applied to Darwin.

A main contract revision will almost certainly be needed, and quickly.

I have asked Mr Jones to produce some figures as soon as he can so that a conference can take place.

I will keep you posted.

Page

S.
29/7

723

DARWIN SHIPPING LIMITED

R.G. Vinson

Directors: ~~ALBERT G. VINSON~~ W. H. Young.

Telegrams: "Fleetwing Portstanley"

STANLEY,
FALKLAND ISLANDS.

WHY/SGC

21st September, 1965



The Colonial Secretary,
Stanley.

OT bse
21/9

Dear Sir,

In view of the Government's objection to our recovering the increases in freight and passages retrospectively to the 1st January, 1965, we request that an additional subsidy should be paid to cover the loss incurred. This amounted to £741 12s. 1d. for freight, and £524 7s. 6d. for passages. In arriving at these amounts we have only taken into account the increases in coastwise freights and overseas passages.

Yours faithfully,

Director

*Withdrew by company at
my instance & for advised
to make more complete approach
on lines agreed. W. H. Young*

A handwritten signature in dark ink, appearing to be "W. H. Young", written over the printed name "Director".

724

The Falkland Islands Company, Limited.

(INCORPORATED BY ROYAL CHARTER 1851.)

REGISTERED 1902.

AGENTS FOR LLOYDS.

TELEGRAMS "FLEETWING PORTSTANLEY" VIA RADIO

AG/SGC

The Manager,
Weddell Island.



Stanley,

*CI 624
27/8*

22nd September, 1965

Dear Sir,

We are advised by London Office that Weddell Island is to be classified as a "C" port with effect from the 1st October, 1965. Consequently Weddell Island will now fall under classification 2 for freight on produce.

Yours faithfully,

Blaggie
Manager.

*Noted
S. 28/8
To be entered into
at next session*

COPIES TO: Colonial Secretary ✓
West Store
Works Store
Shipping Office
Accounts Department

KIV 723

[Handwritten signature]

725

DARWIN SHIPPING LIMITED

R. G. Vinson

Directors: ~~W. G. Barton, CBE.~~ W. H. Young.

Telegrams: "Fleetwing Portstanley"

WHY/SGC

The Colonial Secretary,
Stanley.

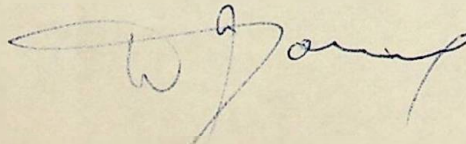
Dear Sir,

By agreeing to postpone the application of the increases of rates of freight and passages until after the question had been considered by Legislative Council, we estimate the short fall in revenue amounted to £741 12s. 1d. for freight and £524 7s. 6d. for passages; in arriving at these amounts we have only taken into account the increases in coastwise freights and overseas passages. We request that an additional subsidy should be paid to cover this short fall.

R.M.S. "Darwin" - Salaries and Wages

On the 29th March, 1965, substantial increases in N.M.B. rates were agreed, and these increases have been paid to crew members of the "Darwin". Basing our estimate on the over-time worked between September, 1964 and August, 1965, the cost of these increases amount to £6,000 per annum, and we request that the subsidy paid under the terms of the Mail Contract be increased by this amount.

Yours faithfully,


Director.



STANLEY,
FALKLAND ISLANDS.

11th October, 1965

act
for SFC
S1

The envelope was marked urgent
11.10.65.

20th October, 1965.

Dear: Mr. Barker, Mr. Miles, + Mr. Goss.

Mail Contract.

The Manager of Darwin Shipping Limited has represented that Government should have permitted the recent (May 1965) freight charge increases to become retroactive to the 1st January, 1965, and that by not doing so his Company has sustained loss.

My own view of this is that he did not ask for such a backdated decision, and consequently he did not get it, but, be that as it may, he has now written as follows:

"By agreeing to postpone the application of the increases of rates of freight and passages until after the question had been considered by Legislative Council, we estimate the short fall in revenue amounted to £741 12s. 1d. for freight and £524 7s. 6d. for passages; in arriving at these amounts we have only taken into account the increases in coastwise freights and over-seas passages. We request that an additional subsidy should be paid to cover this short fall.

R.M.S. "Darwin" - Salaries and Wages

On the 29th March, 1965, substantial increases in R.M.S. rates were agreed, and these increases have been paid to crew members of the "Darwin". Basing our estimate on the overtime worked between September, 1964 and August, 1965, the cost of these increases amount to £6,000 per annum, and we request that the subsidy paid under the terms of the Mail Contract be increased by this amount."

14: The present Mail Contract, fully negotiated, states in Section

"14. The Government shall further guarantee the Company a return from its shipping operations in each year during the continuance of this contract equal to 6% of the written down value of the Steamship and her ancillary equipment at the commencement of the year and a pro rata proportion in respect of each part of a year. On 1st January, 1964, this value was £228,191. The profits (or losses) from which this variable subsidy shall be calculated shall be those accepted for income tax purposes before capital allowances by the Official Income Tax Representative in London, except that

- i. there shall be permitted a deduction in respect of depreciation at the rate detailed in the Third Schedule hereto attached.
- ii. interest and income from investments shall be disregarded in calculating the return on shipping.
- iii. there shall be permitted a deduction of the premium transferred by the Company to the internal fund created by the Company to provide for the first £300 of each and every loss relating to the vessel and the first £10 of each and every loss relating to medical expenses of the crew.

The/.....

The rates of depreciation detailed in the Third Schedule attached shall be the rates allowable for Colonial Income Tax purposes and shall be the rates adopted in calculating the written down value of the Steamship and her ancillary equipment.

Should the Company be of the opinion that basic operating expenses have increased to such an extent that a profit per annum of six per centum of the current written down value of the Steamship and her ancillary equipment cannot be obtained agreement to increases in passenger and, or, freight rates shall not be unreasonably withheld by the Government."

x In conforming with our recent promise to keep members of the Legislature fully informed on matters concerning the Mail Contract I am referring this application to them at the next meeting of the Standing Finance Committee, and having tested their opinion, I will report to the Executive Council, which will, I expect, be asked to advise on the reply to Darwin Shipping Limited.

The Contract is a unique agreement which requires give and take on both sides, and I hope this latest application will at least result in a more clear understanding of the way in which Section 14 is to be interpreted.

Yours truly,

W. H. Thompson, ES.

W. H. THOMPSON

7. Mr. Young, Director of Darwin Shipping Ltd, attended the meeting and gave details of the applications submitted by Darwin Shipping Ltd to the Falkland Islands Government for an additional grant under the terms of the mail contract and a lump sum to cover the loss of income during the period the revision of freight and passage rates were being negotiated. The Committee felt that the applications were not in the spirit of Section 14 of the mail contract. Mr. Young could not confirm that the profit level for 1965 was likely to fall below the 6% level.
8. Mr. Young's contention that Government was liable for a loss of revenue was refuted by the Chairman. He said that whatever the company's intention in the matter, it was abundantly clear from the subsequent amendment to the mail contract, signed by both parties, that the revised rates should take effect in May, 1965.

The Chairman informed Mr. Young that the recommendations of the Committee would be made known to the Executive Council.

After Mr. Young had withdrawn the Committee recommended that the applications should be refused.

11th November, 1965.

Dear Mr. Young,

Please refer to your letter of the 11th October, 1965, in which you asked for additional subsidies to cover a shortfall of revenue and Merchant Navy Board pay and salary increases.

While Government is very ready to meet its contractual obligations, these particular requests do not appear to be in accord with the spirit of Clause 14 of the Mail Contract.

If you could let us have an up-to-date breakdown of your trading figures and a forecast of profits and trends for the remaining portion of the first three and a half years, I am sure Government, and, in particular, the unofficial majority of Members in the Legislative Council, will gain a greater understanding and appreciation of the obligations which bind us.

I can do no better than to refer yet once again to the mutual spirit of co-operation which is so essential to the operation of the unique agreement between your Company and the Government I serve.

(W.H. THOMPSON)
COLONIAL SECRETARY

W.H. Young, Esq.,
Darwin Shipping Limited,
STANLEY.

IM.

729
Ref: 0327/IV.

Colonial Secretary's Office,
Stanley, Falkland Islands.

12th November, 1965.

Dear (as below)

I refer to our recent meeting with Mr. W.H. Young of
Darwin Shipping Limited concerning the Mail Contract.

729a Darwin Shipping Limited having pressed for a reply I
have written the attached which will be reported to the next meeting
of the Executive Council.

Yours faithfully,

COLONIAL SECRETARY

The Honourable,
Mrs. M. Vinson, M.L.C.
Mr. G.C.R. Bonner, M.L.C., J.P.
Mr. R.V. Coss, M.L.C.,
Mr. L.G. Blake, M.L.C.,
Mr. S. Miller, M.L.C., J.P.,
Mr. E. Cheerk, M.L.C.

Ref: 0327/IV.

11th November, 1965.

Dear Mr. Young,

Please refer to your letter of the 11th October, 1965, in which you asked for additional subsidies to cover a shortfall of revenue and Merchant Navy Board pay and salary increases.

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I can do no better than to refer yet once again to the mutual spirit of co-operation which is so essential to the operation of the unique agreement between your Company and the Government I serve.

(W.H. THOMPSON)
COLONIAL SECRETARY

W.H. Young, Esq.,
Darwin Shipping Limited,
STANLEY.

BUX 25.11.65

Ref: 0327/IV

25th November, 1965

MEMORANDUM NO. 72/65 FOR EXECUTIVE COUNCIL

Mail Contract

Honourable Members are referred to my letter of 20th October, 1965, wherein I informed them of a new application by the Manager of Darwin Shipping Limited and in which I provided a copy of Section 14 of the present contract.

Mr. W.H. Young, of Darwin Shipping Limited presented his case to the Standing Finance Committee on the 3rd December, 1965, the relevant minute reads

727 "Mr. Young, Director of Darwin Shipping Ltd, attended the meeting and gave details of the applications submitted by Darwin Shipping Ltd to the Falkland Islands Government for an additional grant under the terms of the mail contract and a lump sum to cover the loss of income during the period the revision of freight and passage rates were being negotiated. The Committee felt that the applications were not in the spirit of Section 14 of the mail contract. Mr. Young could not confirm that the profit level for 1965 was likely to fall below the 6% level.

Mr. Young's contention that Government was liable for a loss of revenue was refuted by the Chairman. He said that whatever the company's intention in the matter, it was abundantly clear from the subsequent amendment to the mail contract, signed by both parties, that the revised rates should take effect in May, 1965.

The Chairman informed Mr. Young that the recommendations of the Committee would be made known to the Executive Council.

After Mr. Young had withdrawn the Committee recommended that the applications should be refused."

Although I did not intend to reply to Darwin Shipping Limited until I had reported to the Executive Council, I was pressed for a reply and on the 11th November I wrote as follows

"Dear Mr. Young,

728 Please refer to your letter of the 11th October, 1965, in which you asked for additional subsidies to cover a short-fall of revenue and Merchant Navy Board pay and salary increases.

While Government is very ready to meet its contractual obligations, these particular requests do not appear to be in accord with the spirit of Clause 14 of the Mail Contract.

If you could let me have an up-to-date breakdown of your trading figures and a forecast of profits and trends for the remaining portion of the first three and a half years, I am sure Government, and, in particular, the unofficial majority of Members in the legislative Council, will gain a greater understanding and appreciation of the obligations which bind us.

I can / .

I can do no better than to refer yet once again to the mutual spirit of co-operation which is so essential to the operation of the unique agreement between your Company and the Government I serve."

Honourable Members are asked to advise approval of the action taken in this matter.

W. H. Thompson

COLONIAL SECRETARY

Issued to all members

25

26/11/65

TS

CONFIDENTIAL

EXTRACT FROM MINUTES OF MEETING NO. 9/65 OF EXECUTIVE COUNCIL

HELD ON THE 15TH AND 16TH DECEMBER, 1965

0327/IV

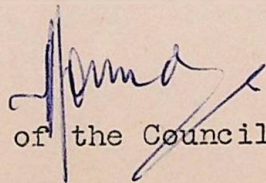
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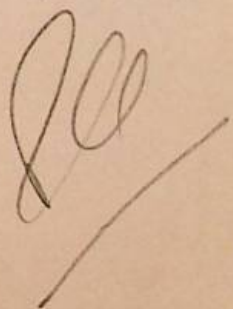
11. MAIL CONTRACT (Memo. No. 72/65)

The Colonial Secretary reported that a claim had been received from Darwin Shipping Limited for an additional grant under the terms of the mail contract to cover loss of income during the period of negotiation of revised freight and passage rates. Standing Finance Committee considered the claim on 3rd November 1965 but were unable to approve an award on the grounds that the claim could not be considered as being in accord with the spirit of section 14 of the contract.

Council noted the relevant Standing Finance Committee minute and the contents of the Colonial Secretary's letter to Mr. Young dated 11th November 1965.

Council advised that Darwin Shipping Limited be asked to supply Government with a copy of their audited account as it became available annually.


Clerk of the Council



27th July 1966

Dear Mr. Young,

You called on me some time ago to raise the question as to whether freight charges were due from Government on mail carried from the Colony by 'A.E.S.'. Some doubt existed for no charges have been raised by your Company since the introduction of the current mail contract, although you thought the wording of the contract did not appear to provide for free carriage of mails by 'A.E.S.'.

On reading through the mail contract I find it altered in one important respect since I was last involved in its negotiation. At that time the draft required the Company to provide both a passenger vessel and a cargo vessel. In later stages the requirement to provide a cargo vessel was deleted and replaced by a clause to the effect that the Company may provide one.

If you refer to the second paragraph of the contract that commences "WHEREAS" you will see that the Government is "desirous of providing for the transmission of mails... between the Colony and the mainland of South America and between the Colony and the United Kingdom.....". This suggests that there is a desire on the Government's part to have a direct link between the Colony and the United Kingdom, i.e. 'A.E.S.'.

If you also refer to clause 1 of the contract you will see these words "Provided that the Company may charter a cargo carrying vessel for the purpose of carrying mails, freight and passengers as may be necessary". This, I feel, is the alternative to the earlier draft in which the Company was required to provide the cargo vessel. The contract

W. H. Young, Esq.,
Manager,
Falkland Islands Co. Ltd.,
STANLEY

FA

requires the Company to provide the 'Darwin' and adds that it may provide the 'A.E.S.'. Another interpretation of this quotation might be that the cargo vessel may be provided as a substitute for the steamship in the event of her loss, but the repeated references later in the contract to the steamship and cargo vessel suggest that if the Company operates two vessels both are subject to the provisions of the mail contract. These provisions include the free carriage of mails.

Yours sincerely,

(Sgd) L. C. Gleadell.

ACTING COLONIAL SECRETARY