

Government Guarantee of a loan to
the Jamaica Railway Corporation.

The six commercial banks in Jamaica, acting as a consortium, have agreed to make a loan of £788,000 to the Jamaica Railway Corporation provided that this loan is guaranteed by the Government.

2. The proceeds of the loan will be used to meet the cost of rolling stock and other equipment. When the Jamaica Railway Corporation was established by law in 1960 to manage and operate the railway system, on the recommendation of management consultants it prepared a plan for the re-equipment and modernisation of the railway. The implementation of this plan is expected to enable the Corporation to operate a modern, efficient and economic system of rail transport for passengers and goods in accordance with sound commercial practices.

3. The Corporation's re-equipment and modernisation programme requires the provision of 20 all-steel railcars to replace the existing and obsolete carriages, 2 main-line locomotives to carry additional bauxite, 2 shunting locomotives, spare parts, machine tools and workshop equipment. The total capital expenditure which is to be spread over the financial years 1962/63 and 1963/64 is estimated at approximately £949,000. Of this, the Corporation can provide £161,000 from funds already available to it, and a loan of £788,000 is required.

4. The Corporation was permitted by the previous Government to place orders for some of the above equipment as a matter of urgency and because of the long delivery periods. However, no arrangements were made to pay for the equipment on delivery and it has fallen to the present Government to do so. It has been possible with the co-operation of the commercial banks to make interim arrangements for the funds required to be borrowed by the Corporation, subject to a Government Guarantee.

5. The Corporation is authorised to borrow and the Government to guarantee such borrowing under sections 28 and 29 of the Jamaica Railway Corporation Law, 1960, which are as follows :-

" 28 - (1) Subject to the provisions of subsection (2) of this section, the Corporation may borrow sums required by it for meeting any of its obligations or discharging any of its functions.

(2) The power of the Corporation to borrow shall be exercisable only with the approval of the Minister as to the amount, as to the sources of the borrowing and as to the terms on which the borrowing may be effected. An approval given in any respect for the purposes of this subsection may be either general or limited to a particular borrowing or otherwise, and may be either unconditional or subject to conditions.

29 - (1) The Minister may from time to time make advances and grants to the Corporation out of sums placed upon the estimates of the Island for the purpose and approved by the House of Representatives.

(2) With the approval of the House of Representatives, the Minister may guarantee, in such manner and on such conditions as he may think fit, the payment of the principal and of interest on any authorised borrowings of the Corporation made otherwise than by way of advances under subsection (1) of this section. "

6. The terms and conditions of the loan and the basis on which the Government guarantee is sought are as follows :-

1. Purpose: To finance the capital expenditure of the Jamaica Railway Corporation in the financial years 1962/63 and 1963/64 on railway rolling stock and equipment.
2. Drawings: The loan to be drawn after £161,000 of the cash reserve of the Railway Corporation available for capital expenditure has been utilised.
3. Interest Rate: To be 7% per annum to be charged on the amount of the loan outstanding from day to day payable on the last day of March, June, September and December throughout the period of the loan, the first payment to be made on the last day of the calendar quarter in which the first drawing of the loan is made.
4. Repayment: In instalments of £200,000 each to be paid on or before 31st December, 1964, 1965 and 1966 and the balance of the amount outstanding thereafter to be repaid on or before 31st December 1967.
5. Guarantee: The Government of Jamaica to guarantee to the Consortium the repayment of the loan and the payment of the interest thereon by the several instalments mentioned in paragraphs 3 and 4 above, and to undertake to the Consortium that in the event of any such instalment remaining unpaid for fifteen days after the date on which it shall have become due the same will be paid to the Consortium out of the Consolidated Fund of Jamaica.

This guarantee is to be given and acknowledged before the first drawing of the loan is made.
6. Currency: The loan to be made, repaid and serviced in Jamaica pounds.
7. Apportionment within the Consortium: The maximum participation of each bank in the consortium shall be as follows :-

	<u>%</u>	<u>Expressed as a portion of £788,000</u>
The Bank of Nova Scotia	43.31	£341,282.16. -
Barclays Bank D.C.O.	31.34	£246,959. 4. -
Royal Bank of Canada	13.65	£107,562. -. -
Canadian Imperial Bank of Commerce	5.11	£ 40,266.16. -
Bank of London & Montreal	3.59	£ 28,289. 4. -
First National City Bank	3.0	£ 23,640. -. -
	<u>100%</u>	<u>£788,000. -. -</u>

All drawings, repayments and payments of interest shall be apportioned in accordance with the percentages set out above. The Government's guarantee shall be given to the Consortium as a whole and any payment made by the Government in implementation thereof shall be apportioned in accordance with the percentages set out above.

8. Paying Agent: The Bank of Jamaica will act as agent for the Consortium in the receipt and disbursement of all drawings, repayments and payments of interest on the loan.
9. Option of Earlier Payment: The Corporation to have the right to repay the whole or any part of the amount outstanding in advance of the instalment dates set out above without any prior notification to the Consortium.

7. The above terms and conditions have been accepted. The approval of the House is sought to guarantee the loan under Section 29 of the Jamaica Railway Corporation Law, 1960, and an Instrument of Guarantee is attached. I will move a Resolution accordingly.

D. B. SANGSTER
Minister of Finance
5th November, 1962

(3) The House of Representatives by Resolution passed under the provisions of and in accordance with the said Law on the day of 1962 gave the requisite approval hereinbefore mentioned. NOW THIS INDENTURE WITNESSETH :-

1. IN CONSIDERATION of the Banks agreeing to lend to the Corporation the principal moneys and IN CONSIDERATION of the premises the Government HEREBY GUARANTEES to the Banks the payment to the Banks of the principal moneys and interest thereon payable by the Corporation to the Banks pursuant to the said Agreement by the instalments and at the times and in the manner therein provided.
2. The Banks shall be at liberty without thereby affecting their rights hereunder and without discharging or in any way whatsoever affecting the liability of the Government hereunder at any time and from time to time to give time for payment or grant indulgence to the Corporation or make any other arrangements with the Corporation in respect of the principal moneys or interest as the Banks may think expedient without obtaining the consent of or giving any notice to the Government it being the intention of the Government that this Guarantee shall be a continuing guarantee and shall remain in full force and effect until all the principal moneys and the interest thereon shall have been fully paid and satisfied.
3. This Guarantee shall be in addition to and without prejudice to any other securities of any kind whatsoever which the Banks or any of them may now or hereafter hold or possess in respect of the principal moneys and interest hereby guaranteed or intended so to be or of any other indebtedness of the Corporation to the Banks or any of them and the Banks shall not nor shall any of them be under any obligation whatsoever to marshal in favour of the Government any such securities or any of the funds or assets which the Banks or any of them may be entitled to receive or have a claim upon and the Banks and any of them may give up modify exchange or abstain from taking advantage

of...

of or enforcing all or any of such securities as the Banks or any of them may think fit without thereby in any way affecting the rights of the Banks or any of them or the liability of the Government hereunder.

4. Upon default being made in the due and punctual payment of any instalment of the principal moneys or interest by the Corporation to the Banks for fifteen days after the date on which such instalment shall have become due and payable under the terms of the said Agreement (as to which time shall be of the essence of the contract) the Corporation shall be deemed to have made default in the payment of such instalment and the Government shall pay to the Banks on demand the amount of such instalment as aforesaid.
5. No change or changes in the name objects capital or constitution of the Corporation or the winding up (whether voluntary or compulsory) of the Corporation shall in any way affect the liability of the Government hereunder and the Banks shall not be concerned for any purpose to see or enquire into the powers of the Corporation or of the Directors Committee-men Secretary or any agents acting or purporting to act on behalf of the Corporation.
6. In the event of the Corporation from any cause whatever ceasing to exist as a body corporate the whole of the principal moneys then remaining unpaid from the Corporation to the Banks shall become immediately due owing and payable on demand by the Government to the Banks together with interest thereon as provided in the said Agreement computed to the date of actual payment.
7. The Corporation hereby covenants with the Banks to pay to the Banks on demand all costs and expenses incurred by the Banks in relation to the said Agreement and these presents.

8. The Corporation hereby covenants with the Government and IT IS HEREBY AGREED that if the Corporation shall make default in the observance and fulfilment of any of the terms and conditions contained in the said Agreement or commit any breach thereof or should commit any breach of the covenants on its part to be observed in this Deed the Government shall be at liberty by notice in writing to the Banks to revoke this Guarantee as to all future borrowings by the Corporation from the Banks after the date by which such notice shall have been received by all of the Banks but without prejudice to the Government's liability to the Banks or any of them hereunder in respect of dealings on or prior to such date.

IN WITNESS WHEREOF

THE FIRST SCHEDULE

(Names and descriptions of the Banks)

SECOND SCHEDULE

Kingston.

Jamaica Railway Corporation,
Kingston.

Dear Sirs,

With reference to your application for loan facilities to meet Capital Expenditure in the financial years 1962/63 and 1963/64 we the undermentioned Banks are together prepared to lend to you a sum of money not exceeding £788,000 in the respective proportions and on the terms and conditions hereinafter set out.

The proportions in which the said loan moneys will be contributed by the undermentioned Banks are as follows :-

<u>Name of Bank</u>	<u>Percentage</u>	<u>Amount</u>
The Bank of Nova Scotia	43.31	£341,282.16s:
Barclays Bank D.C.O.	31.34	246,959. 4s:
The Royal Bank of Canada	13.65	107,562. - :
Canadian Imperial Bank of Commerce	5.11	40,266.16s:
Bank of London and Montreal Limited	3.59	28,289. 4s:
First National City Bank of New York	3.0	23,640. - :

The terms and conditions on which the said loan will be made are as follows, the said Banks being hereinafter referred to as "the Consortium" :-

1. Purpose: To finance the capital expenditure of the Jamaica Railway Corporation in the financial years 1962/63 and 1963/64 on railway rolling stock and equipment.
2. Drawings: The loan to be drawn after £161,000 of the cash reserves of the Railway Corporation available for capital expenditure has been utilised.
3. Interest Rate: To be 7% per annum to be charged on the amount of the loan outstanding from day to day payable on the last day of March, June, September and December throughout the period of the loan, the first payment to be made on the last day of the calendar quarter in which the first drawing of the loan is made.
4. Repayment: In instalments of £200,000 each to be paid on or before the 31st December in each of the years 1964, 1965 and 1966 and the balance of the amount outstanding thereafter to be repaid on or before the 31st December 1967.
5. Guarantee: The Government of Jamaica to guarantee to the Consortium the repayment of the loan and the payment of the interest thereon by the several instalments mentioned in paragraphs 3 and 4 above, and to undertake to the Consortium that in the event of any such instalment remaining unpaid for fifteen days after the date on which it shall have become due the same will be paid to the Consortium out of the Consolidated Fund of Jamaica. This Guarantee is to be given and acknowledged before the first drawing of the loan is made.
6. Currency: The loan to be made, repaid and serviced in Jamaica pounds.
7. Paying Agent: The Bank of Jamaica will act as Agent for the Consortium in the receipt and disbursement of all drawings, repayments and payments of interest on the loan.

All...

All drawings, repayments and payments of interest shall be apportioned in accordance with the percentages set out above. The Government's guarantee shall be given to the consortium as a whole and any payment made by the Government in implementation thereof shall be apportioned in accordance with the percentages set out above.

8. Option of Earlier Payment: The Corporation to have the right to repay the whole or any part of the amount outstanding in advance of the instalment dates set out above without any prior notification to the Consortium.

If your Corporation accepts these terms and conditions would you please confirm by acknowledging this letter and executing the confirmation written at the end of the attached copy.

Yours faithfully,

Bank of Nova Scotia

Barclays Bank D.C.O.

Royal Bank of Canada

Canadian Imperial Bank of Commerce

Bank of London and Montreal Limited

First National City Bank

TO the abovenamed Consortium of Banks:

Jamaica Railway Corporation hereby acknowledges the receipt of the original of this letter and hereby confirms and agrees that it will take the loan mentioned therein on the terms and subject to the conditions set out therein, the same having been approved by the Minister of Communications and Works.

Dated the day of 1962

JAMAICA RAILWAY CORPORATION

by:-

Chairman/Secretary