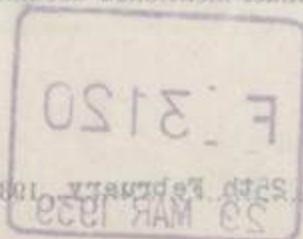


His Majesty's Representatives at Tokyo  
presents his compliments to the Secretary of State for Foreign Affairs and has the honor to transmit to him the under-mentioned documents.



29 MAR 1939  
29th February 1939

Reference to previous correspondence:

| Subject  | Name and Date  |
|--|--|
| Establishment of the North China Transportation Company. | Cable from Japan<br>Advertiser of 22nd<br>February, 1939 |
| Embassy Shanghai No 86<br>Peking No 9                    | Copy to:<br>"  |

No. 133 (S) (S) (S)

*The Japan Advertiser*  
February 22nd 1939

## RAIL CONTROL FIRM FOR CHINA ADOPTED

Transportation Company Will  
Be Managed by Staff From  
S.M.R. Branch

PRESIDENT IS SELECTED

Institution to Be Capitalized at  
¥300,000,000 in 6,000,000  
¥50 Shares

A final decision has been reached by the China Affairs Board for establishment of the proposed North China Transportation Company, which will control all motorbus routes and important railways in North China under Japanese military occupation, including the Peiping-Hankow Railway the Tientsin-Pukow Railway and the Peiping-Photow Railway, reports the Nichi Nichi. The company will be managed by a staff furnished by the North China branch of the South Manchuria Railway Company.

Although final plans for the company were completed last year, their approval has been delayed thus far due to various circumstances, the newspaper says.

The company will be established under the Chinese system of incorporation and will be capitalized at ¥300,000,000 in 6,000,000 shares at ¥50 each. The ratio of investment has been fixed as: North China Development Company, ¥150,000,000 in kind; Provisional Government of the Chinese Republic, ¥80,000,000 in face value, and South Manchuria Railway Company, ¥120,000,000 in face value.

As to cash payments by the Provisional Government and the railway company, the company will call in about one-fifth within the present fiscal year, which expires at the end of March, and a quarter more during the next fiscal year.

All public motorbus services in North China and Inner Mongolia will be run by the company. It is undecided yet however, whether the Lung-Hai Railway will be placed under its control. At present, this railway is under Japanese military control from Lien-yokang, easternmost seaport of Kiangsu Province, to Kaifeng, the capital of Honan Province.

Japan will recognize the right of supervision over the transportation company by the Provisional Government as a matter of principle. Mr. Kanji Usami, adviser to the South Manchuria Railway Company who is in charge of its North China office, will be appointed president of the company. Mr. Teiji Goto, who used to be director of the Tokyo Municipal Electric Bureau, will be one of its two vice-presidents. A Chinese will be appointed the other vice-president.

In line with this project, a plan for establishing a Central China Transportation Company will be drafted by the China Affairs Board and, when this firm has been established, it will be placed under control of the Central China Development Company. This concern is eventually likely to control the Lung-Hai Railway, the Tientsin-Pukow Railway south of Haichow and other railways in Central China.

It is also understood that the South Manchuria Railway Company is anxious to participate in two other projected companies respectively for coal mining at Tatung and for harbor construction and improvement in North China. The former firm is to seek co-operation of the Japan Coal Mining Association for exploitation of Tatung Coal Mine, largest in North China, and the latter eventually is to collaborate with a Japanese national-policy shipping concern.