

1934

1934

23020

KENYA

23021

C0533/440

Electric Power Rate charged by
E.A. Power & Lighting Co. & Sisal Estates.

Previous

3326/53

298

6/2

297

7/2

Room 311

8/2

308

8/2

299

8/2

297

Subsequent

Key 297

12/1

Room 309

13/1

Mr. D. Wood

13

Mr. Wood

13

Sis. C. B. Cottonley

15/1

R. 297 311

16

298

22/1

297

25/1

Room 309

26

Mr. Wood

26

Sis. C. B. Cottonley

27

Sis. J. D. Cottonley

29

Mr. D. Wood

27/2

23020

1 Governor Byrne 694 _____ 19th Dec 55
Trans. a copy of a minute by the Postmaster General stating
the position regarding rates charged for electric power to
small estates & estates in entire agreement with one of them

On such a question we can only trust
the Governor - and Mr Fitzgerald

? Substance of para 6 of end to
Kerry Fibre & Industrial Co. - ref on 21/11

Copy to Gov LF

AB
13/1

yes: I would also pass para 4.

* So draft. As the original letter was
addressed to the S.W., to J. M. H.,
should see the draft

* I have passed the draft, as it does,
not convey any decision on the
name of the S.W. 22/11/55

2 To Kerry Fibre & Industrial Co. 22/11/54

3. Kenya Fibre & Industrial Co Ltd 24 Jan 34

Notes conclusion of Gov. reports that Co. has not been asked to submit a case for reduction of power rate, or that it is forced to consider other avenues for ventilating what is considered to be an uneconomical charge.

The last para. threatens a P. Q.
It seems hardly necessary to send a letter now to Kenya
? Put by
TWO copies: 26/1

Para 2. If they have a local representative why doesn't he state a case? Are they aware that 8 cents is a specially low rate (see Gov. letter)

Para 3. The Power Co. makes enough on other things to pay but the sisal rate is not enough to allow for interest etc. - in other words if you add in interest & depreciation the cost of current per unit is over 8 cents

Para 4. Are unwise people who, even with special rates can't make sisal pay any value, and is a crop which can't be produced except at a loss any value either?

Para 5. Let them 'ventilate' away
Draft herewith

S. I. G. Flood
26.1.

Sir J. Maffey.

I think you should see the Company's reply.

The Electric Power Company has a monopoly of distribution within its area, with of course, the right of first supply. I do not think that the Kenya Fibre and Industrial Company would

would be better off if it made its own electricity, even if it could raise the money for installation.

The Government has control over the general rates fixed by the Electric Power Company. Naturally it does not interfere with special bargains made between the Company and its important consumers.

We must accept the statement that the supply of power to the Sisal Company at 8 cents (just under 1d.) is a special rate and does not pay. The Company therefore makes its profit on other consumers, primarily those in the town in Nairobi. If the Company's profits are large the general consumer would appear already to have a grievance over the cheap rate granted to the Sisal Company, and if the Sisal Company's rate were still further reduced we must expect that the general consumers will become vocal.

I do not see that we can possibly intervene.
? As in Mr. Flood's draft.

W.C.S.
27.1.34

J.M.
29/1/34

Lord Plymouth

I agree
D. at m.c.
- 2/2/34

HF
(4)
H To Kenya Fibre & Industrial Co. (3 and) 6/2/34

5
20 Kemp 96 (w/co 2.3+4) N/1

8 FEB 19

C. O.

23020/34.

4 Feb
/

Mr. Flood 26/

Mr.

Mr.

Mr. Parkinson.

Mr. Tomlinson.

X Sir C. Bottomley. 27. 1

Sir J. Shuckburgh.

X Perms. U.S. of S.

Perms. U.S. of S.

Secretary of State.

P. 2/2/34 for

C. D.	
R	-3 FEB
D	1 1/2

6 FEB 1934

DRAFT.

The Kenya Fibre & Industrial Co. Ltd.

~~Handwritten scribble~~

Gentlemen.

I am directed to ack the
 recd of your letter of the 26th
 of Jan^y & to inform you that a
 copy of the is being sent to the Gov.
 of Kenya for his information. I
 am also to suggest that you
 should instruct your local
 representatives in Nairobi to take
 up the question of the charges for
 electric power with the East
 African Power & Lighting Co. and
 with the Colonial Govt.
 which, however, has no power to
 intervene in the case of special
 rate agreements such as that
 in force in regard to the
 supply of power to the cement
 industry

Copy to Kenya (5)

FURTHER ACTION.

Copy comm^o (No 2 No 3)
 to Govt (40. this)

(Signed) J. E. W. FLOOD

Kenya Fibre and Industrial Co., Ltd.

(DIRECTORS: LORNE CURRIE, CAPTAIN T. ABTLEY HEAD, FREDERICK A. JOHNSON, MANAGING DIRECTOR)

LEBANE: EYSTAFRIK PIGGY LONDON
CABLES: EYSTAFRIK LONDON
TELEPHONE: WHITEHALL 9328

CARLTON HOUSE

REGENT STREET

60000
BROOMHALLS
BENTLEYS
A.B.C. 8th Edition

ESTATES
MABONGOLENI, KIBWEZI, NDULU
NDIARUGU
AND AT
NAIROBI, KENYA

RF
C

LONDON 24th January 1934

Your reference 23020/34.

The Under Secretary of State,
Colonial Office,
LONDON, S.W.1.

ACKD. BY P.C.

3c

P.C.

Sir,

We beg to acknowledge receipt of your letter of the 17th instant under the above reference.

2 The conclusion the Governor has reached is fully noted. It is regretted, however, that neither the Company's representative at Nairobi, nor any other Sisal interests, appear to have been asked to submit a case for a reduction of the initial Power rate.

3 We regret we do not understand the reference to Depreciation and Interest on Capital, in view of the very enviable state of the Power Company's finances as disclosed by their Accounts, the Dividends, and the price of the Shares.

4 Primary Producers in Kenya and others engaged in Agricultural pursuits, are at present the mainstay of the Colony, and unless satisfactory means are devised to prevent them becoming partially or completely extinct, other interests will automatically disappear.

5 We regret we are forced to consider other avenues for ventilating what we consider is an uneconomical charge, bearing in mind the present continuing difficulties.

We have the honour to be, Sir,

Your obedient Servants,

For and on behalf of :
KENYA FIBRE AND INDUSTRIAL CO. LTD.

J. J. J. J.
Managing Director.

Answer (4)

No. 2

Copy to Kenya (5)

23020/34.

2
January, 1934.

C. O.
Mr. MacCallis 17
Mr. Penning 17/1/34
Mr. Sisson 17
Mr. Flood 18-1
Mr. Parkinson

R 18 JAN 1934
D

X Sir C. Bottomley 18/1

Mr. J. Chamberlain
Perms. U.S. of S.
Party. U.S. of S.
Secretary of State.

(N°2
on 3326/33)

DRAFT.

The Kenya Feare
and Industrial
Company, Limited.

[Handwritten mark]

Gentlemen,

With reference to the
letter from this Office of the 14th
of October, 1933, L^o 3326/33. I
am directed to inform you that
~~the observations of the Government~~
~~observations~~
Kenya have now been received
regarding the rates charged for
electric power by the East African
Power and Lighting Company.
The Govt. states
1. It has been reported
that the present rate now in
operation is a reduced revised
rate which was introduced by
the Company in 1931 as a
special concession to enable
local companies to carry on
/ under

Copy to Kenya (5)

FURTHER ACTION.

under the severe slump in

prices. Before introducing it,
doubt it will to obtain necessary
the Company although covering
the ^{some} authority, as, because of its
favourable character, it might

be held to be a preferential rate.

Another advantage which the local
companies obtain is that, though the
local rate is on what is known
as a "secondary rate" basis, which
gives the undertaker power to cut
off the supply during "peak load"
periods, the supply in effect, because
of the Company's reserve of plant,
The
is never cut off. The rate of 8
cents per unit which has been
in practical effect since 1931

/made

G. O.

Mr.

Mr.

Mr.

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Parlt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

DRAFT.

FURTHER ACTION.

2
does not allow for any
making contribution towards

depreciation of plant or towards

interest on capital

3 After full consideration

of all the circumstances and

the many factors which enter

into tariff calculations, the

Governor has reached the

conclusion that the Power

Company in treating the

local interests and every

consideration, having due

regard to the interests of other

consumers.

I am etc.

(signed) J. E. W. FLOOD

15th December, 3

The Hon. The Colonial Secretary,

N a i r o b i .RE: ELECTRICITY - RATES - E.A. POWER & LIGHTING CO., LTD -
GENERAL.Ref. your No. B.K.L. 7/1/2/2 of the 14th ultimo.

Consideration of the representations under reference appears to call for some general observations on the matter of local Electric Power Tariffs.

2. The East African Power and Lighting Company operate, as you are aware, under licences which, in addition to special terms and conditions contained therein, are issued subject to the Electric Power Ordinance (Cap. 165) and regulations made thereunder.

3. The powers of Government in regard to the regulation of ordinary prices and methods of charge are laid down in Section 69 of the Ordinance. Sections 70-72 relate to special rate agreements. As the sisal rate to which exception is taken falls within the latter category and as rates in that category are excluded from review by Government (provided, of course, the maximum power rate laid down in the licences is not exceeded), Government is not in a position to take any legal action in this matter. The maximum power rate laid down in the relative licence is 36 cents per unit, but the actual maximum power rate under the Company's tariff is 30 cents per unit. The latter is not considered unreasonable under East African conditions, and subject to a maximum rate, the Power Company here, as well as Power Companies elsewhere, may be allowed liberty to arrange tariffs to meet circumstances of demand, provided no undue preference is given to any consumer or class of consumer.

4. The sialal rate now in operation is a reduced revised rate which was introduced by the Company in 1931 as a special concession to enable Sialal Companies to carry on under the severe slump in prices, and before introducing ^{the} the Company ^{Ordinance} asked for my covering authority as, because of its favourable character, it might be held to be a preferential rate. Another advantage which the Sialal Companies obtain is that, though the sialal rate is on what is known as a "secondary rate" basis -- which gives the undertaker power to cut off the supply during "peak load" periods -- the supply in effect, because of the Company's reserve of plant, is never cut off. A rate of 8 cents per unit which has been in practical effect since 1931 makes no contribution towards depreciation of plant or towards interest on capital.

5. Reference has been made to the Company's prosperous position. The Company is under an obligation to submit its accounts to the Governor and it is my duty, as the officer exercising the Governor's powers under the Ordinance, to examine these accounts. The Company is in a good financial position, but not unduly so compared with Power Companies in Great Britain and elsewhere. The Company paid 7% on its Preference and on its Ordinary shares for 1932, but in order to do this it had to draw on 27,620 out of a profit of 211,730 made on the realization of investments. A distribution on this scale to the shareholders is not considered excessive.

6. After full consideration of all the circumstances and the many factors which enter into tariff calculations, I am of opinion that the Power Company are treating the Sialal interests with every consideration, having due regard to the interests of other consumers.

(Signed) T. Fitzgerald.
 SECRETARY GENERAL.