

1934

23020

KENYA

1934

23020

CO533/440

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

Previous	298	6/2
	297	7/2
	Room 311	8/2
	308	8/2
	299	8/2
	297	

Subsequent

Aug 297	13/1
Room 309	13/1
Our Drawing	13
D. Plot	13
S. & C. Bottomley	15/1
R. Aug 311	16
298	22/1
297	25/1
Room 309	26
W. Plot	26
S. & C. Bottomley	27
S. J. Mafay	29
Land Payment	2/2

23020

1 Governor Byrne 6944 ————— 19th Dec 33

Trans. acopy of a minute by the Postmaster General stating
the position regarding rates charged for electric power to
small estates & states in entire agreement with ours therein

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

? Substance of para b of enc L
Kenya Fibre & Industrial Co. — ref on 23rd

Copy to Govt LF

B. D. Smith

13/1

yes: I would also add para 4:

in short

So draft as the original letter was
& addressed to the S. M., so if the other
should see the draft

(S. M. 1. 30)

+ I have passed to most, or it does,
not convey any distinction in the
name of the S. M. (S. M. 1. 87)

2 To Kenya Fibre & Industrial Co.

22/1/34

3. Kenya Fibre & Industrial Ltd. 24 Jan 34
Notes conclusion of Govt., regards that he 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. illustrates a P.Q.
It seems hardly necessary to think
a lot's out to Kenya
? put by
T. Waris : 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 (we told them)

Para 3. The Power Co. makes enough on other things
to pay but the sisal rate is not enough per se
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 ~~conscious~~ 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

J. E. W. 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 & 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 ~~exception~~-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. Waris 27/1/34

Lord Plymouth

I agree
P. J. Axwell
2/2/34

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

✓ (4) ✓

5
To Kenya 96 (~100 2.3-4) A/I

8 FEB 19

C. O.

28020 / 34

Mr. Flood 26/1

Mr.

Mr.

Mr. Parkinson.

Mr. Tomlinson.

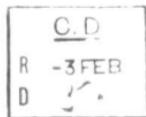
X Sir C. Bottomley. 27/1

Sir J. Shuckburgh.

Perm. U.S. of S.

Parly. U.S. of S.

Secretary of State.



6 FEB 1934

Gentlemen.

I am directed to acknowledge

receipt of your letter of the 24th

of Jan^{ry} & to inform you that a

copy ~~is~~ is being sent to the Govt.

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. or

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 sisal

industry.

FURTHER ACTION.

Copy cont'd (No 2 Nos 88 this)
to Govt 6/1

Copy C. D. 6/1

(Signed) J. E. W. FLOOD

Kenya Fibre and Industrial Co., Ltd.

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

LEBRAMS SYSTAFRIK LTD. LONDON
CABLES SYSTAFRIK LONDON
TELEPHONE WHITEHALL 9328

ODD'S
BROOMHALL'S
BENTLEYS
A.B.C. 5TH EDITION

ESTATES
MABORGOLENI KIBWEZI INDIA
NDAROGO
AND AT
NAIROBI KENYA UGANDA

CARLTON HOUSE.

REGENT STREET

LONDON 24th JANUARY 1924

Your Reference 23020/34.

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

ACKD. BY P.C.

P.C.

Sir,

We beg to acknowledge receipt of your letter of the 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. Johnson
Managing Director.

C. O.

Mr. Nichols 17
Mr. Venning 17/1/34
Mr. Weston 17
Mr. Ford 18.1

~~Mr. Thompson~~

~~Mr. T. L. Lewis~~

X Sir C. Bottomley 18/1

~~Sir J. Chesham~~

By Permit. U.S. of S.

Party. U.S. of S.

Secretary of State.



(N^o 2
on 3326/33)

23/02/34.

January, 1934.

Gentlemen,

We refer you to the

letter from this Deptt. of the 14th

of October, 1933, No. 3326/33. I

DRAFT.

The Kenya Electric
and Industrial
Company, Limited.

DK

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
2. It has been reported

that the new 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
business under

FURTHER ACTION.

Kenya (5)

under the severe slump in
prices. Before introducing it,
ought it well to obtain ~~Parliamentary~~
the Company ~~obtained~~ obtaining
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 usual 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
cents per unit which has been
in practical effect since 1931

/maka

G. C.

Mr.
Mr.
Mr
Mr. Parkinson.
Mr. Tomlinson.
Sir C. Bottomley
Sir J. Shuckburgh
Permit, U.S. of S
Party, U.S. of S
Secretary of State

DRAFT

FURTHER ACTION

does not allow for any
market value 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, etc.

Governor Lee reached the
conclusion that the Power
Company are treating the
fiscal interests and every
consideration, having due
regard to the interests of other
consumers.

I am etc

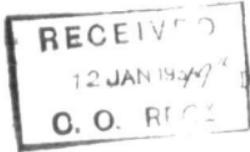
(Signed) J. E. W. FLOOD

KENYA

NO 694



GOVERNMENT HOUSE
NAIROBI
KENYA



Sir,

I beg to acknowledge receipt of your letter No.

No. 2326/23 despatched on the 10th instant, and to inform you that the Government of Kenya has accepted the same and will forward it to the Secretary of State for the Colonies. I also enclose a copy of the letter addressed to the Secretary of State for the Colonies, which will be forwarded to him by the same route.

I remain, Sir, very respectfully,

Sir,

Your obedient servant, Secretary,

H. J. M.

Enclosed herewith are
300 copies.

THE RIGHT HONOURABLE
MAJOR SIR PHILIP CUNLIFFE-LISTON, K.C.V.O., K.C.B., M.A., M.R.C.P.
SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET,
LONDON S.W.1.

15th December, 3

The Hon. The Colonial Secretary,

Maixobi.

RE: ELECTRICITY - RATES - E.A. POWER & LIGHTING CO., LTD -
GENERAL.

Ref. your No. H.E.L.7/1/R/S 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, must 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 sinal rate now in operation is a reduced revised rate which was introduced by the Company in 1931 as a special concession to enable Sinal Companies to carry on under the severe slump in prices, and before introducing it the Company [asked for my] covering authority as, because of its favourable character, it might be held to be a preferential rate. Another advantage which the Sinal Companies obtain is that, though the sinal 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 7½ on its Preference and on its Ordinary shares for 1938, but in order to do this it had to draw on £7,500 out of a profit of £11,700 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 sinal intercepts with every consideration, having due regard to the interests of other consumers.

(Signed) T. Fitzgerald.
REGULATOR GENERAL.