

THE EAST AFRICAN POWER AND
LIGHTING COMPANY LIMITED

REPLIES TO THE
POLYMER GENERAL'S QUESTIONNAIRE

Dated 27th January, 1936,

Reference No. E.P. 6/78

RECEIVED
POLYMER GENERAL

NAIROBI,

26th February, 1936.

POSTMASTER GENERAL'S QUESTIONNAIRE dated 5th JANUARY, 1936

QUESTION.

1. It has been stated on behalf of the Company that the 195,000 Ordinary Shs. 20/- shares, which were issued early in 1934 at a premium of Shs. 6/50 per share, were for the purpose of the Pangani concession in Tanganyika. Is it the Company's case that they were able to issue these shares at the premium mentioned solely and entirely on the merits of the Pangani Concession and without any relation to the Company's general financial standing towards which the revenue from the Nairobi Undertaking has contributed so substantially?

2. It is understood that the first stage, already completed, of the Maraga Tana Scheme has cost approximately £78,000. It is stated in the Company's application that a further sum of approximately £300,000 will be required to complete the scheme. This makes a total cost of £378,000. In evidence given on behalf of the Company before the Special Tribunal appointed in 1929 to consider the Maraga Tana Scheme, the estimate for the whole scheme was placed at £200,000 or £210,750 if transmission line costs are included. I should like to learn how the large discrepancy between the two estimates is accounted for.

NOTE: I would have been glad to see the estimate in regard to the proposed Maraga Tana Works placed before the Tribunal. I have written to the estimate furnished to the Special Tribunal recently investigated the possibility of the project at that point.

3. It would be a convenience if the Company would furnish a self-contained statement, suitable for placing before a Committee of Enquiry regarding

REPLY

It is quite obvious that a prospective investor would take the Company's general financial standing into account.

The actual cost of the first stage was £78,000 (see 2/1/36). The major item in the cost of the proposed development is the dam across the Maraga Tana. Apart from height and length the chief items affecting the estimate are foundation and maximum flood flow. The data for the former can only be determined after test borings have been taken. No expenditure on this is not justified until a definite decision has been arrived at to proceed with the scheme. In regard to maximum flood flow very little data is available. Considerable work is being made in consultation with the Government by a local engineer. Further the method of controlling flood flow is not varied and to a large extent is dependent on the capacity of the Power Station. It is not known what figures the Consulting Engineers to the Crown have put forth in respect of the flood flow or the method they have suggested for dealing with flood water. If the scheme is proceeded with every effort will be made to improve the flow of the river. The estimates in this regard obviously in the interests of all concerned. Their estimates were used as the Company considered that Government would prefer to accept the figures of its own advisers.

POSTMASTER GENERAL'S QUESTIONNAIRE dated 5th JANUARY, 1936

QUESTION.

1. It has been stated on behalf of the Company that the 195,000 Ordinary Shs. 20/- shares, which were issued early in 1934 at a premium of Shs. 6/50 per share, were for the purpose of the Pangani concession in Tanganyika. Is it the Company's case that they were able to issue these shares at the premium mentioned solely and entirely on the merits of the Pangani Concession and without any relation to the Company's general financial standing towards which the revenue from the Nairobi Undertaking has contributed so substantially?

REPLY

It is quite obvious that a prospective investor would take the Company's general financial standing into account.

2. It is understood that the first stage, already completed, of the Maragua Falls Scheme has cost approximately £78,000. It is stated in the Company's information that a further sum of approximately £300,000 will be required to complete the scheme. This makes a total cost of £378,000. In evidence given on behalf of the Company before the Special Tribunal appointed in 1929 to consider the Maragua Falls Scheme, the estimate for the whole scheme was placed at £200,000 or £210,700 if transmission line costs are included. I shall be glad to learn how the large discrepancy between the two estimates is accounted for.

The actual cost of the first stage in 1935/36. The major item is the cost of the proposed development of the dam across the Falls River. Apart from being a dam which will be a reflection on the future of the dam and the flow of the data. The former an only by details of the cost. The figures have been taken. An expenditure of this kind is not justified until a definite decision has been arrived at to proceed with the scheme. In regard to maximum flow very little data is available. Considerable study is being made in consultation with the Government of the dam. Further the method of controlling flood water is being considered and a large effort is being made on the part of the Power Section. It is to be known that figures the consulting engineers to the Government in respect of the dam and the dam. Any dam which is being built with flood water. If the scheme is to be a success every effort will be made to improve the estimates. The estimates of this is obviously in the interests of all concerned. Their estimates were used as the Company considered that Government would prefer to use the figures of its own advisers.

NOTE: I would here observe that the Company's estimate in regard to development at Seven Falls placed before the Tribunal closely approximates to the estimate furnished by the experts who recently investigated the possibility of development at that point.

It would be a convenience if the Company would furnish a self-contained statement, suitable for placing before a Committee of Enquiry regarding

3. contd.

The difference between the depreciation figure in respect of the Nairobi Undertaking, of £10,068 included in the 1933 accounts and the figure of £21,462 submitted for certain arbitration purposes, a figure which incidentally was stated to be quite inadequate.

4. In regard to the 195,000 Ordinary shares issued early in 1934, I shall be glad to learn what percentage, if any, of those shares had to be taken up by the Beaver Trust Ltd., under the agreement entered into with that Trust. It has been stated by the Company that the issue in question yielded approximately £251,855, or some £6,520 less than the full yield at Shs. 26/50 per share. The commission due to be paid to the Beaver Trust in respect of all expenses in connection with the allotment amounts to £1,875. I shall be glad if the difference between the latter amount and the £6,520 above referred to can be explained. What amount is estimated to have been paid to the Beaver Trust in respect only of guaranteeing the subscription of the whole of the 195,000 shares referred to?

5. What is the usual arrangement adopted by the Company in regard to the construction of major development works? Are, for instance, tenders invited from Contractors competent to undertake such kind of work, or is the contract given to some firm in association with the Company without any steps being taken to obtain competitive prices? Further, what is the exact nature of the contracts entered into, i.e. is the contract for a fixed amount based on specification, or is it in the nature, so far as profits are concerned, of a percentage of the cost of carrying out the work? If the

There can be no comparison between the figures quoted as they relate to entirely different subjects, the tariff figure submitted to the Arbitrator including both normal depreciation, obsolescence and provision for reserve and other contingencies. Provision for depreciation in the Accounts is subject annually to expert engineering and financial consideration having regard to adequacy of accumulated balance of depreciation account at date, position of reserve fund, general financial position and asset valuation of the Company, including writing off of intangible assets in earlier years, and all other matters usually dealt with in expert survey of the subject.

We think all necessary information on this point is furnished by the copy of the "Offer to Shareholders" enclosed herewith. In the third paragraph from the end the agreement with the Beaver Trust Limited is outlined. The difference in the figures referred to is made up of the discount at the rate of 2% per annum in respect of payments made in full before due dates, and the Stamp Duty payable to the Kenya Government upon the increase in share capital.

The design and construction of major development works are carried out by the Company's London Managers, Messrs. Balfour, Beatty & Co. Ltd., who charge for this service a fee based on the cost and type of works involved. The fee covers the duties usually performed by Consulting Engineers as well as Constructive Contractors and includes design, preparation of drawings and specifications, calling for tenders, supervision of construction, construction, site tests and setting to work. Apart from local civil engineering works which are carried out under the personal supervision of Messrs. Balfour, Beatty & Company's Superintending Engineer, the lowest tender is accepted except

3. contd.

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We think all necessary information on this point is furnished by the copy of the "Offer to Shareholders" enclosed herewith. In the third paragraph from the end the agreement with the Beaver Trust Limited is outlined. The difference in the figures referred to is made up of the discount at the rate of 25 per centum in respect of payments made in full before due dates, and the Stamp Duty payable to the Kenya Government upon the increase in share capital.

5. What is the usual arrangement adopted by the Company in regard to the construction of major development works? Are, for instance, tenders invited from Contractors competent to undertake such kind of work, or is the contract given to some firm in association with the Company without any steps being taken to obtain competitive prices? Further, what is the exact nature of the contracts entered into, i.e. is the contract for a fixed amount based on specification, or is it in the nature, so far as profits are concerned, of a percentage of the cost of carrying out the work? If the

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5. contd.

latter, what is that percentage? Is it proposed to carry out the Company's usual arrangement in connection with any new development works on the Maragua-Tana?

in those cases where for some good reasons this would be undesirable. The Company proposes to adopt this customary arrangement with Messrs. Milford Beatty & Co. Ltd. for the purpose of developing the Maragua-Tana Scheme.

6. What additional capital would it be necessary to raise in order to complete

(a) The next stage of the Maragua-Tana Scheme

(b) The scheme as a whole.

If it is necessary to raise additional capital to the full extent of the £300,000 now estimated to be required to complete the whole scheme, how is this position reconciled with the following statement made by the present Chairman of the Company in evidence before the Special Tribunal in 1929 :-

"Therefore, although the Company would probably be unable to carry out both stages of development with its present capital resources, at the outside it would only require either temporary accommodation or a relatively small increase of its capital resources in order to complete the full Maragua-Tana development."

Messrs. Preece, Cardew & Rider estimated a figure of £195,300 being required for completion of the next stage of the development and estimated the total expenditure including the final stage at £299,060. In both cases it is based upon the amount of the cash resources of the Company. It is a position to consider whether any of the £195,300 or any much of the finally estimated figure could have been raised as additional capital.

With regard to the Chairman's evidence before the Special Tribunal in 1929 - that was then an accurate outline of the position, which, of course, in the intervening years has been very considerably altered. Insofar as it is possible to foresee the position at this date, it looks as though the greater portion, at any rate, of the money required to develop and complete the Maragua-Tana Scheme would sooner or later have to be raised, in the shape of new capital.

7. In the 1934 Accounts, the following items, in round figures, appear in the Balance Sheet of the Nairobi Branch :-

Reserve Fund Account	21,500
Depreciation Fund Account	60,000
Investment Reserve	58,400

£139,900

A copy of the Company's Balance Sheet for the year 1934 is appended hereto, which discloses the exact position in regard to assets and liabilities. Pending the completion of the 1935 Balance Sheet the figures remain unaltered.

Particulars of the present disposition of the foregoing reserves can perhaps be stated.

8. In the event of arrangements being made for the full development of the Maragua-Tana Scheme:

(a) What exactly is the nature and extent of the next stage of development?

(b) What is the estimated capital cost of this stage?

Pending a decision by Government on the Company's present application for an extension of its Nairobi licences the Board has not travelled beyond the report of Messrs. Preece, Cardew & Rider to the Government of Kenya, a copy of which is already in the hands of the Committee.

5. contd.

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- (a) The next stage of the Maragua-Tana Scheme
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If it is necessary to raise additional capital to the full extent of the £300,000 now estimated to be required to complete the whole scheme, how is this position reconciled with the following statement made by the present Chairman of the Company in evidence before the Special Tribunal in 1929 :-

"Therefore, though the Company would probably be unable to carry out both stages of development with its present capital resources, at the outside it would only require either temporary accommodation or a relatively small increase of its capital resources in order to complete the full Maragua-Tana development."

Messrs. Preece, Cardew & Rider estimated a figure of £190,000 being required for completion of the next stage of the development and estimated the total expenditure including the final stage at £299,860. In both cases it was based upon the amount of the 1934 resources of the Company. It is in a position to correct either statement if necessary, but much of the finally satisfied figure would have to be raised as additional capital.

With regard to the Chairman's evidence before the Special Tribunal in 1929 - that was then an accurate outline of the position, which of course in the intervening years has been very considerably altered. Insofar as it is possible to forecast the position at this date, it looks as though the greater portion, at any rate, of the money required to develop and complete the Maragua-Tana Scheme would sooner or later have to be raised, in the shape of new capital.

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8. contd.

- (c) what would be the total installed capacity of generating plant available to serve the Nairobi area upon completion of this stage ?
- (d) what is the estimated peak load which could then be handled under dry season conditions ?
- (e) Up to what date is it estimated that the additional plant resulting from the development of this stage will meet requirements of consumers in the area, keeping in view the fact that during 1935 the maximum demand has fallen below that of 1933 and 1934 ?

9. If the Company's application is refused, to what extent is it estimated that the raising of capital for further development will be affected ?

It is difficult, if not impossible, to give any accurate estimate as asked for without a full knowledge of the purposes for which the extra capital would be required, and the amount of that extra capital.

10. If the present application for renewal of the Company's licences is refused, is it the Company's intention to adopt the recommendation made by Mr. J.S. Highfield in the final paragraph of his letter of the 8th November which accompanies the application ?

In view of the fact that a continuance of an efficient electrical supply for Nairobi and district, offered at as cheap a rate as is possible from time to time under conditions ruling, appears to be of really vital importance to the consumers in this area, and to the Colony itself, the Board, its technical advisers and its Executive, have concerned themselves so far exclusively with these problems.

11. If the answer to (10) be in the affirmative, what is the alternative method proposed by the Company by which the necessary additional generating plant is to be provided to meet demands for power to the end of the licence period? What are the estimated capital costs of such an alternative scheme and what will be the effect on prices of electricity to consumers ?

Such problems admittedly include the question of extension of the Company's generating resources as and when circumstances demand; but in this respect attention has so far been concentrated on the Maragua-Tana Scheme; and, owing to the time required to be given to current practical questions, it would not be economic to consider contingencies preventing the development of that scheme, which contingencies it is hoped may not arise.

It will also be appreciated that the Directors of the Company have neither the right nor the power to commit the Company to any fixed policy of future development. All that it is possible to say at the moment, is that with only 11 years of the present licence to run, of which, if the Maragua-

8. contd.

- (c) what would be the total installed capacity of generating plant available to serve the Nairobi area upon completion of this stage?
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Tona Scheme is carried through, only 8 can be negative with additional capital expenditure estimated to be 100,000 within a year of the licences expiring, and with no other assets to offset the value of capital works at the expiry of 21 years. It can be returned to the shareholders, the Company can be in a better position than that which would be other than a grave handicap to the consumers in this area.



DUP

16

ALL COMMUNICATIONS TO BE ADDRESSED TO THE CROWN AGENTS FOR THE COLONIES, THE FOLLOWING REFERENCE AND THE DATE OF THIS LETTER BEING QUOTED.

O/Kenya 79

MILLBANK

LONDON, S.W.1.

TELEGRAMS: "CROWN, LONDON" TELEPHONE: VICTORIA 7720

RECEIVED
9-MAY-1936
O. O. F. C.

36th May 1936

CONFIDENTIAL

Sir,

61
With reference to your letter No. 38082/4/36 of the 30th March, regarding the licences held by the East African Power and Lighting Corporation Limited in Kenya, I have the honour to state that we referred the matter to our Consulting Electrical Engineer, Messrs. Pearce, Cardew and Rider and a copy of their report is enclosed. We agree generally with their reports and have nothing to add to them.

6.5.36

In the event of further reference being made to us, it would be of assistance if we could be furnished with copies of the Company's existing licences and of their applications for renewal.

I have the honour to be,
Yours faithfully,
[Signature]

for Crown Agents.

The Under Secretary of State,
COLONIAL OFFICE.

HR

HP/AM
WERCER, CARDEW & RIDER,
CONSULTING ENGINEERS.

8 & 10, QUEEN ANNE'S GATE,
WESTMINSTER, S.W.1.

SIR ARTHUR PREECE, J. R. RIDER,
DEYAR PARRY, W. H. GRIMSDALE,
S. V. KERRAWAY, R. W. WRIGHTMAN.

4th May, 1936.

The Crown Agents for the Colonies,
8, Millbank,
S. W. 1.

Gentlemen,

We have the honor to acknowledge receipt of your letter of the 29th April with correspondence relating to the licence of the West African Power & Lighting Co. Our opinion is desired respecting the points raised in the Company's letter to the Under Secretary of State for the Colonies dated the 12th March, 1936.

(1) The first point raised by the Company in their letter is in respect to the financing of the proposed extension of the Serrekunda-Tanz Kour station. The Company state that it would be difficult to secure the necessary finance for the said extension on anything like reasonable terms because of the short life of the licence in the area in which the plant has to be installed, and accordingly they are applying for a renewal of the said licence for a minimum period which would expire in 1947.

(2) The licences in respect to which applications are made for a renewal are as follows, to-wit:

Local Generating Licence No. 2 dated 22nd March, 1935,
Term 25 years ending in 1947.

Generating Station Licence No. 2 concurrent with
Local Generating Licence No. 2.

Generating Station Licence No. 3 dated 15th April,
1935, term 16 years ending in 1947.

Local

The Crown Agents for the Colonies.

8.6.36.

(6) If an extension of the term of the Licence is not granted it is provided in Section 119(b) of principal Ordinance that a local Authority may apply for a Licence to carry on the Undertaking, and should the application be granted by the Governor in Council it is provided in Section 119(c) that the local Authority "may require the Licensee to sell" and "thereupon the Licensee shall sell to him the works of the Undertaking under Licence upon terms of paying the then value of all land, buildings, works, materials and plant of the Licensee suitable to the purposes of the Undertaking as aforesaid, that value being agreed or estimated in the manner provided herein."

(7) Having regard to the wording of Section 119(c), it would appear that the purchase of the Company's plant and works is optional and not obligatory upon the local Authority or the Government, but if the Licensee is required to sell he is to be paid the "then value" of all land, buildings, works, materials and plant of the Licensee suitable to the purposes of the Undertaking as aforesaid, "that value being agreed or estimated in the manner provided herein". The reference is evidently to Section 134 of the principal Ordinance according to which "the then value" has the same meaning as in the Lighting Acts of Great Britain.

(8) In the event of a local Authority failing to apply for a Licence under Section 119(b) or in the event of application being refused by the Governor in Council, Section 119(c) provides that the Governor may dispose of the rights and also the works and plant by sale, and in the event of a sale the value is to be determined as in Section 119(c) and (d).

that

The Crown Agents for the Colonies.

6.5.56.

that is to say, the terms are to be the same as if a local Authority were the purchaser and upon which we have commented in paragraphs (5) and (7) above.

(9) Where no purchase has been effected either under Section 119(b) or (c) then paragraph (8) of Section 119 provides for the removal of the Licensee's works, and paragraph (h) of the same section provides for the recovery of the cost of the removal.

(10) On reviewing the conditions obtaining at the termination of the Licence period it will be seen that the Licensee may be said to be exposed to the risk of not getting paid for his plant, and of having to remove the same or of having the plant removed at his expense. Actually the risk may be said to be non-existent as regards the plant laid under the distributing Licence, but a possibility as regards plant provided under a generating Licence. The fact that purchase by the local authority appears to be permissive and not obligatory could tend to have a prejudicial effect upon financial operations of the Licensee, more particularly towards the end of the Licence period.

(11) Dealing now with the Company's allegation that it would be difficult to secure the necessary finance for the extensions because of the short life of the licences in the area in which the plant is to be installed, we are of opinion that, if the Licences granted to the Company are limited to the periods specified in the Licences and in view of the apparent uncertainties prevailing regarding the conditions of purchase at the end of the Licence period, the periods specified in the existing licences are too short for purposes of finance,

and

and the extensions now applied for may not be unduly long when all the circumstances are taken into account.

On the other hand if the terms of purchase at the end of the licence period were free of uncertainty and if the terms of purchase were as specified in Clause 134 then we are of the opinion that the extensions applied for would be unduly long.

(12) With regard to the points raised by the Company respecting the constitution of the Board of Enquiry, and also respecting the allegations of the town clerk in his circular of the 20th January, 1936, we are of opinion that these are matters reserved in the Ordinance and Regulations for the Governor. In cases in this country, however, where a local authority considers that it has cause of complaint against a Company supplying electricity in their area, the Minister of Transport directs the Electricity Commissioners to nominate a suitable and independent person to hold an enquiry at which both parties are required to appear and to give evidence. The allegations of the town clerk in the circular are in some cases technical in character, but without definite facts before us it is not possible to express an opinion. We do not presume that the matter is one which it is incumbent on us to justify. A first class independent engineer from the Government works as an enquiry engineer and to report to the Governor upon the questions which have arisen.

We are, Gentlemen,

Your obedient servants,

FREDERICK GARDNER & RIDER

18th April, 1936.

Dear Mr. Shearer,

Mr. Fitzgerald, the retiring Postmaster-General of Kenya, is now in this country, or rather is crossing over from Ireland at the end of the week, and he thinks it would be a useful thing if he could have a talk with you some time soon. Would 11.30 a.m. at the Colonial Office on Friday the 24th suit you? If so, please let me know and I will fix it up with Mr. Fitzgerald who is to come in that morning. Fitzgerald suggests that it might be as well if the London Board said nothing to Kenya about recent developments until after he had had a talk with you.

If Friday does not suit, I could arrange Thursday morning also as Fitzgerald will be about.

Yours sincerely,

W. Shearer

W. SHEARER, ESQ.

Dun Laoghaire
Co. Dublin.

RECEIVED

27 MAY 1936

G.C.

Dear Flann

Thank you for your letter of

your kind date. Friday the 24th at 10.0 am
wrote out the way well for my absence with
Mr. Thomas.

In regard to the E. A. Power Lighting
Co. may I suggest that it would probably
be a good idea if Shearer, you & I had
a talk in 7 days. Shearer is the man
who matters in the Co. & it appears to me
that he & the London Board are being led
on suggestions from Nairobi which are not
too well founded. Pushed into my class

Dun Laoghaire,
Co. Dublin.

RECEIVED
21 MAY 1936
G.O.

Dear Florence

Thank you for your letter of

your kind date. Friday the 24th at 10.0 am
will suit me very well for my interview with
Mr. Thomas.

In regard to the E. A. Power & this
Co. may I suggest that it would probably
be a good idea if Thomas, you & I had
a talk in 7 Mr. Thomas. Thomas is the man
who matters in the Co. & it appears to me
that he & the London Board are being led
on suggestions from Harbri which are not
too well founded. Richard too may also

be of some value to you. I do not
suppose Brooke the Secretary has very much
influence. I would therefore further suggest
that you go on to the office of the
for a letter for say 11.30 on the Friday or
on Thursday forenoon any time. I am
coming on Wednesday & am ^{11.00}reserving
Thursday afternoon to my ^{11.00}sit with the
Cable & Wireless people. Decidedly it might
be a good thing if the London Board of the
Co. by defining sending any instructions
to Nantwi until after ^{11.00}

I covered ^{11.00}with the
men about the proposed new telegraph agreement
between G.D. & the Co.

Yours very truly,
J. P. F. M. J.

COPY OF CABLE RECEIVED FROM THE EAST AFRICAN POWER
& LIGHTING COMPANY LIMITED, STANLEY HOUSE, NAIROBI,
DATED 14TH APRIL, 1936.

8-314

We have been officially notified that Governor in
Council has agreed to extension of Nairobi Licenses
until March 1952 only fullstop

Extension permit of acquisition by local authority
as at present fullstop

We are requested to submit copies of all licences
for endorsement fullstop

Letter also states enquiry being instituted into the
matter raised before Committee by objectors and which
we urged were irrelevant fullstop

For your information we understand application for
exclusion of 1,400 acres of land in the native reserve
has already been referred to Secretary of State for
the Colonies fullstop

We made it clear to Committee unconditional acceptance
or refusal required with if possible modification local
authority right under amended section 19(a) fullstop
Appears to us extension under conditions imposed would
assist local authority in eventual acquisition due to
added time available fullstop

Under existing condition of licences decision as to
acquisition or otherwise can be forced in 1942 fullstop
For emphatic views of Board please refer to minutes of

COPY OF CABLE RECEIVED FROM THE EAST AFRICAN POWER
& LIGHTING COMPANY LIMITED, STANLEY HOUSE, NAIROBI,
DATED 14TH APRIL, 1936.

834

We have been officially notified that Governor in
Council has agreed to extension of Nairobi Licences
until March 1952 only fullstop

Extension permit of acquisition by local authority
as at present fullstop

We are requested to submit copies of all licences
for endorsement fullstop

Letter also states enquiry being instituted into the
matter raised before Committee by objectors and which
we urged was irrelevant fullstop

For your information we understand application for
exclusion of 1,400 acres of land in the native reserve
had already been referred to Secretary of State for
the Colonies fullstop

We made it clear to Committee unconditional acceptance
or refusal required with if possible modification local
Authority right under amended section 19(a) fullstop
appears to us extension under conditions imposed would
assist local authority in eventual acquisition due to
added time available fullstop

Under existing condition of licences decision as to
acquisition or otherwise can be forced in 1942 fullstop
For emphatic views of Board please refer to minutes of

meeting of 27th March fullstop

In the absence of Chairman draft of this telegram submitted to and approved by W.C. Hunter, Major C.H. Taylor, R.G. Vernon fullstop

Please telegraph instructions as to acceptance or otherwise of extension of licences for this period and under these conditions and as to withdrawal or otherwise our Harappa River/Tana Scheme Application

ELEGY

COPY OF CABLE RECEIVED FROM THE EAST AFRICAN POWER &
LIGHTING COMPANY LIMITED, STANLEY HOUSE, NAIROBI,
DATED 15TH MARCH, 1936.

Further our telegram Elegg we are informed confidentially
Government do not propose advise local authority (ies)
or public of decision unless pressed in which case will
lay white paper on table of house fullstop
We are inclined to infer that door left open for
alter this offer if our rejection present offer made
sufficiently strong fullstop
Understand verbatim report evidence not available to
Committee before making report(s) and this definitely
prejudicial to Company fullstop
Presumably this action taken in order to allow postmaster
General Kenya Government to leave Kenya at an early date

ELITE

/APG

No
W.C.B.
C.O.

38082/1/36

37

- Mr. Grossmith *1873*
- Mr. *Parker 20/3*
- Mr. *Flood 21*
- Sir C. Parkinson
- Sir G. Tomlinson
- Sir C. Ballantyne, K.C.
- Sir J. Shackleton
- Pres. U.S. of S.
- Pres. U.S. of S.
- Secretary of State

DOWNING STREET.

30 March, 1936

Ans. 15

DRAFT

No. 1
38082/1/36

KENYA
CONFIDENTIAL
GOVERNOR

Copy to be kept in

4/3/36
12/5/36 (No. 3)
12/5/36

Sir,

I have etc. to acknowledge the receipt of your Confidential despatch No. 1 of the 8th of January regarding the proviso to Section 5(1) of the Electric Power (Amendment) Ordinance 1935 and its effect upon the distributing licence held by the East Africa Power and Lighting Company Limited, and to transmit to you, for your information, a copy of a letter which was sent to the Company on the 4th of March.

Mr. Shearer and Mr. Harold of the East Africa Power and Lighting Company Limited, called at the Colonial Office on the 12th of March and made representations on the matter generally and particularly with

regard

FURTHER ACTION.

7

46
W.C.B.
G.O.

Mr. Crossmith

Mr. [unclear]

Mr. [unclear]

Sir C. Parkinson

Sir G. Tomlinson

Sir G. Bottomley

Sir J. Shackleton

Permt. U.S. of S.

Permt. U.S. of S.

Secretary of State

DOWNING STREET.

30 March, 1936.

Am 15

Sir,

Stg

(I have etc. to acknowledge the receipt of your Confidential despatch No. 1 of the 8th of January regarding the proviso to Section 3(1) of the Missouri Power (Amendment) Ordinance 1934 and its effect upon the distributing licences held by the East Africa Power and Lighting Company Limited, and to transmit to you, for your information, a copy of a letter which was sent by the Company on the 14th of March.

Mr. Shepherd and Mr. [unclear] of the East Africa Power and Lighting Company Limited, called at the Colonial Office on the 12th of March and made representations on the matter generally and particularly with

DRAFT.

*No. 1.
38082/36*

KENYA

CONFIDENTIAL

GOVERNOR

Handwritten notes and signatures, including '4/3/36' and 'W.C.B.'

FURTHER ACTION.

regard to the composition of the Committee
of Enquiry which was appointed to Enquire
into the objections raised by the Nairobi
Municipal Council and other bodies to the
Company's application for renewal of licences.

Mr. Shoarer and Mr. Brooks were asked to
submit their representations in *the enclosed letter*
Memorandum

These have been sent to
which could be communicated to you confidentially

The accompanying letter is the result of your conversation

I shall be obliged if you will
furnish me with your views on the points
raised by the Company.

I have, etc.

*I have enclosed copies of the company's letter
to you to be communicated to
the CA for the Col. & I will
transmit to you any other info
they may have to offer*

(Signed) J. H. THOMAS

W.C.O.

38029/1/36

- Mr. Grossmith 18/3
- Mr. Taskin 20/3
- Mr. Flood 21
- Sir C. Parkinson
- Sir C. Tomlinson
- Sir C. Bottomley 23.9
- Sir J. Shuckburgh
- Panel U.S. of S.
- Party U.S. of S.
- Secretary of State

DOWNING STREET.

30 March 1936

Confidential

Ans'd

Gentlemen

DRAFT

THE CROWN AGENTS
FOR THE COLONIES

From E.A.P. & Co. 11/12/36
To for Kenya 21/12/36
From E.A.P. & Co. 11/12/36
To for Kenya 21/12/36
From E.A.P. & Co. 11/12/36
To for Kenya 21/12/36
Re: etc. (Kenya) 21/12/36

I am etc. to transmit to you
the accompanying copy of correspondence

Regarding re-negotiations made by the
East Africa Power and Lighting

Company Limited on the effect of
Section 3(i) of the Kenya Electric
Power Amendment Ordinance 1934
upon their distributing licences.

(2) Mr. Thomas would be
obliged for your views on the points

raised in the Company's letter of the
23rd of March, a copy of which has

been communicated confidentially
to the Governor of Kenya

I am, etc.
(Signed) J. E. W. FLOOD

FURTHER ACTION

*A list of licences for which
the Company has applied for
renewal until 1972 is also
enclosed together with particulars
of the rates for units sold and other
information*

C. O.

38082/1/36

5

Mr. Flood 2/

Mr.

Mr.

Sir C. Parkinson

Sir G. Tomlinson

X Sir C. Ballomley 13

Sir J. Shuckburgh

Parlt. U.S. of S.

Parlt. U.S. of S.

Secretary of State

DOWNING STREET

March, 1936

RECEIVED
D 27

Handwritten initials and scribbles

DRAFT

SIR JOSEPH BYRNE, G.C.M.G., K.B.E., C.B.

Dear Sir Joseph

We are sending you a

Confidential despatch covering

the East African Power and

Lighting Company

about electricity matters in

Kenya, and I think I ought to

reinforce the official despatch

with a letter to explain that

Mr. Shears had been

the Managing Director and

Secretary of the Company, before

they sent the letter, which

upon me at the Colonial Office

and had a long conversation.

They were not at all satisfied with

the way in which they were being

treated. They recognised that

Government

FURTHER ACTION

C. D.

Mr.

Mr.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

Sir C. Bollenby.

Sir J. Shuckburgh.

Parly. U.S. of S.

Parly. U.S. of S.

Secretary of State.

DRAFT.

now sitting will come to conclusions which may be definitely adverse or may try to impose impossible conditions. If it is decided to let their licences come to an end and not renew them, then, in order to safeguard the shareholders, they would have to proceed to increase charges, build up reserves, do no development work and keep maintenance down to the minimum necessary. This would hardly be to the good of anybody.

In conversation they explained that they were most unwilling to do anything which might arouse feeling in the Colony and for that reason, they have instructed their local people to be very conciliatory with the Committee and in the letter from them, which we are sending to you, they point out that they carefully refrain from

making

FURTHER ACTION

making any protest or attacking the
municipality.

The view we take here is
that there is a good deal to be said
from the point of view of the Company.
It is generally believed now that for
things like electric works a long period
of 50 or 60 years is necessary and the
East African Company has only got 25 years
from 1922.

So that as it may, however, the
local attitude is probably not without its
own measure of justification. *Local 4/2*

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that there is a good deal to be said
from the point of view of the Company.

It is generally believed now that for
things like electric works a long period
of 50 or 60 years is necessary and the
East African Company has only got 25 years
from 1922.

So that as it may, however, the
local attitude is probably not without its
own measure of justification. *Local*

TELEGRAPHIC ADDRESS:
"RUOPLAD, CANNON, LONDON."

CABLE ADDRESS:
"RUOPLAD, LONDON."

TELEPHONE NO.:
CITY 5046.

The East African Power & Lighting Company, Limited

(Incorporated in Kenya Colony under the Indian Companies Act 1874 as applied to that Colony.)

London Office:
66, QUEEN STREET
LONDON, E.C.4.

STRICTLY PRIVATE & CONFIDENTIAL.

13th March, 1936.

The Under Secretary of State
for the Colonies,
Colonial Office,
Downing Street,
LONDON, S.W.1.



Sir,

Following on a recent investigation by Engineers from England suggested by the Colonial Office, the Government of Kenya have agreed upon plans for extension of the Haragus-Tana power station necessary to meet increased demands for power in Nairobi and District which is estimated by the Engineers to cost about £300,000.

Some £200,000 has already been subscribed in the United Kingdom and my Board consider it would be difficult to secure the necessary finance for the above extension on anything like reasonable terms because of the short life of the licences in the area in which the plant has to be installed. It has been advised by an eminent Consulting Engineer to apply for a renewal of the licence for a minimum of twenty-five years. Renewal normally cannot be applied for except with the Government's sanction in exceptional cases, earlier than five years of the date of the expiration of the licence concerned.

The report was placed before the Council in Nairobi when the Governor stated that this was a case where the Company had been granted the right to apply for renewals as required. The Council was advised of the application and any objections there to. Statutory advertisement of the Company's application for a renewal and of the appointment of the Committee of Enquiry was then made. The Nairobi Municipal Council which has certain rights under the Electricity Ordinance to acquire the Company's distributing

5/12/36
to Kenya

The Under Secretary of State
For the Colonies,
LONDON, S.W.1.

13/3/36

licences in that area, objected to the application and issued a circular (copy herewith) to its ratepayers which incidentally my Company is advised in certain respects is libellous.

The Committee of Enquiry consists of seven members, two of whom are members of the Municipal Council, one a member of a District Council, whose interests in this matter are naturally in harmony with the Municipal Council, whilst the Postmaster General who, during negotiations leading up to the Company's application for renewal of licence has not shown himself particularly favourable to the immediate renewal of the licences, is also a member. The other members are a representative of the Kenya and Uganda Railways, together with a representative of the local Sigal growers, who are both consumers of my Company's power. The Chairman of the Committee is the Attorney General.

The Board of the Company in Nairobi was gravely concerned at the composition of the Committee, consisting as it does almost entirely of members of the Municipal and District Councils and customers of the Company, the former being interested as active objectors to the proposed renewal of the licence, whilst the latter being in commercial relations with the Company, may or may not be impartial. Additionally, the Postmaster General, who we rather gather appears to have some objections against immediate renewal of the licences, for reasons unknown to the Company is also on the Committee instead of being called before it as a witness as in the Company.

In order to preserve the best possible atmosphere when the Committee of Enquiry sat, the Board of the Company, notwithstanding their serious misgivings on the subject, decided neither to make any protest nor to take any immediate legal action against the Municipal Council which might have caused further prejudice in the minds of certain members of the Committee.

The Local Board in London has been asked to submit their views and the views of the Board confidentially to the Secretary of State for the Colonies and to ask that these should be transmitted strictly privately and confidentially to the Governor of Kenya for his personal consideration only with such comments as the Secretary of State may think appropriate.

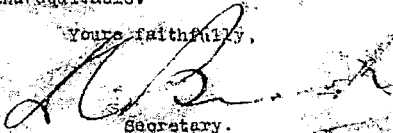
In conclusion, I am requested to point out that the Company's

The Under Secretary of State
for the Colonies,
LONDON, S.W.1.

13/3/36.

understanding of its obligations of the development of Electricity
in Kenya is that we should give a good and efficient service in all
parts of the country. Having regard, however, to the many local
parochial and other jealousies it is necessary in order that we
may continue this policy of efficient expansion which is in the
best interests of the Colony and the consumer, that the Company
should receive in all appropriate cases, according to the
circumstances, the firm support of Government and we ask nothing
more than is fair and equitable.

Yours faithfully,



Secretary.

REF: DOR/ABC
ENC.

Dear Sir/Madam,

**East African Power and Lighting Co., Ltd.
Application for renewal of existing Licences:
Extension of period to May, 1972.**

The Municipal Council, at their meeting held on the 26th November last, decided to take a plebiscite of the Ratepayers on the question as to whether it is desired the Council should object to the application of the above named Company for the renewal of their existing licences. The Distributing Licence for the Nairobi Area expires in 1947. The Company are seeking to have the period extended to 1972.

Since then the Council have decided to object to the Company's application.

The grounds of objection (inter alia) are:—

That the application is premature. None of the existing licences will expire until 1947.

That the position of the Municipal Council as the Local Authority for the Municipality of Nairobi will be prejudiced by the Company's application.

That the maximum prices authorised by the Company's Distributing Licence No. 2, dated the 24th March, 1922, are too high and should be reduced.

That provision for depreciation is not being made by the Company in accordance with the requirements of Section 45 of the Electric Power Ordinance.

That the maximum dividends payable by the Company should be limited to 10% per annum.

That the system of overhead lines in built-up areas is unsatisfactory, unsightly and dangerous and should be replaced by underground cables in closely built-up areas.

That the practice of the Company in undertaking Contract works at a loss is unfair and inequitable both to consumers and to electrical contractors, and should be prohibited.

That the charges for meter rents are excessive.

Will you kindly intimate on the enclosed card whether you approve or disapprove the action of the Council in deciding to object to the Company's application and afterwards return the card to me, not later than the 25th January 1936.

Yours faithfully/

F. S. ECKERSLEY,

TOWN CLERK.

**Town Hall,
NAIROBI,
25th January, 1936.**

No. 3317

Dear Sir/Madam,

**East African Power and Lighting Co., Ltd.
Application for renewal of existing Licences:
Extension of period to May, 1972.**

The Municipal Council, at their meeting held on the 26th November last, decided to take a plebiscite of the Ratepayers on the question as to whether it is desired the Council should object to the application of the above named Company for the renewal of their existing licences. The Distributing Licence for the Nairobi Area expires in 1947. The Company are seeking to have the period extended to 1972.

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The grounds of objection (inter alia) are:—

- That the application is premature. None of the existing licences will expire until 1947.
- That the position of the Municipal Council as the Local Authority for the Municipality of Nairobi will be prejudiced by the Company's application.
- That the maximum prices authorised by the Company's Distributing Licence No. 2, dated the 24th March, 1922, are too high and should be reduced.
- That provision for depreciation is not being made by the Company in accordance with the requirements of Section 45 of the Electric Power Ordinance.
- That the maximum dividends payable by the Company should be limited to 10% per annum.
- That the system of overhead lines in built-up areas is unsatisfactory, unsightly and dangerous, and should be replaced by underground cables in closely built-up areas.
- That the practice of the Company in undertaking Contract works at a loss, is unfair and inequitable both to consumers and to electrical contractors, and should be prohibited.
- That the charges for meter rents are excessive.

Will you kindly intimate on the enclosed card whether you approve or disapprove the action of the Council in deciding to object to the Company's application and afterwards return the card to me, not later than the 25th January 1936.

Yours faithfully,
F. S. ECKERSLEY,
TOWN CLERK.

Town Hall,
NAIROBI,
2nd January, 1936.

Downing Street,

12th March, 1936.

Dear Mr. Shearer,

I return herewith the document which you left with me this morning. I have read it with considerable interest, as Mr. Brooke said I might, and I have kept a copy of the appendices to it showing the list of licences, the rate for units sold, and the other things.

Yours sincerely,

W. SHEARER, ESQ.

THE EAST AFRICAN POWER & LIGHTING COMPANY LIMITED

List of Licences for which renewal until 20th May, 1972 has been applied.

Local Generating Licence No. 2, dated 24th March, 1922 (Term, 25 years from 24th March, 1922).

Generating Station Licence No. 2 (concurrent with Local Generating Licence No. 2).

Generating Licence No. 3, dated 15th April, 1922 (Term, 25 years from 15th April, 1922) with Local Generating Licence No. 2.

Local Generating Licence No. 5, dated 20th February, 1926 (Term, 25 years from 20th February 1926).

Distributing Licence No. 2, dated 24th March, 1922 (Term, 25 years from 24th March, 1922).

Distributing Licence No. 3, dated 20th February, 1926 (Term, 25 years from 20th February, 1926).

Distributing Licence No. 6, dated 20th May, 1926 (Term, 25 years from 20th May, 1926).

Distributing Licence No. 7, dated 2nd October, 1930 (concurrent with Distributing Licence No. 6).

THE EAST AFRICAN POWER & LIGHTING COMPANY LIMITED.

Maximum Demand and Generating
Capacity in Nairobi Area 1954/58.

Summary of Appendix 2, attached to the Power Company's applications for (1) the "flooded" lands and (2) the extension of licences.

Generating capacity under extreme drought conditions:

3 hydro-stations totalling ... 1,657 KW.
Oil engine station 170 "
Total 1,827 KW

N.B. This can be increased by returning two oil engine units from Range, to 2,167 KW.

Maximum demand in 1954 2,488 KW
including "secondary" power .. 828

leaving maximum demand of
"primary" power 1,640 KW

N.B. Secondary power is supplied to sisal estates. For only a few days in the past has this power demand been displaced to night hours.

Estimate of Power Demand.

(1) Assuming trade depression continues:

	1954 Actual K.F.	1955 Estimated K.W.	1956 Estimated K.W.	1957 Estimated K.W.	1958 Estimated K.W.
Primary	1640	1820	1920	2020	2120
Secondary	828	888	820	850	850
Total	<u>2468</u>	<u>2648</u>	<u>2740</u>	<u>2870</u>	<u>2970</u>

NAIROBI UNDERTAKING.

AVERAGE RATE FOR UNITS SOLD.

	Public Lighting.	Lighting, Heating and Cooking.	Power Supplies.	Average Rate.
	<u>Cents.</u>	<u>Cents.</u>	<u>Cents.</u>	<u>Cents.</u>
1924	45.	83.5	21.	49.3
1925	45.	82.7	21.8	
1926	45.	75.2	20.	
1927	24.5	73.5	20.2	
1928	25.2	70.6	18.7	51.6
1929	26.4	66.7	17.6	52.3
1930	27.5	60.8	19.5	
1931	24.6	53.1	19.4	
1932	22.6	48.4	15.7	
1933	21.5	45.6	14.4	47.4
1934	18.5	44.7	15.2	20.1
October 1935 ..	18.1	41.4	15.4	19.6

Estimate of Power Demand Cont'd.

(2) Assuming that trade conditions materially improve:-

	1934 Actual K.W.	1935 Estimated K.W.	1936 Estimated K.W.	1937 Estimated K.W.	1938 Estimated K.W.
Primary	1,640	1,920	2,020	2,220	2,420
Secondary	328	323	820	850	850
Total	<u>2,468</u>	<u>2,648</u>	<u>2,840</u>	<u>3,070</u>	<u>3,270</u>

N.B. By displacing all the secondary (sisal) power to off-peak hours, the present power plants (including the two oil sets now at Range) can deal with the primary power demand till 1937/38 (even in an abnormal drought). But, allowing for normal rainfall, giving a 25% increase in generating capacity, the present plants can satisfy all likely primary power demands till 1939, and also probably all secondary power demands except for a short time in 1939/39, when they may have to be displaced - as permitted by the agreement with the consumers.

THE EAST AFRICAN POWER & LIGHTING COMPANY LIMITED

Local Authorities right of purchase of
Distributing and Generating Licences

1. The Local Authorities may at any time prior to the last six months of the licence, apply for the revocation of an existing distributing licence which covers any area within their jurisdiction and for the issue of a licence to themselves to distribute power in that area.
2. Such revocation and re-issue of a licence may divide the original licensee's area of supply.
3. The Governor must be satisfied that consumers will not be prejudiced by the division of areas in this way.
4. The Local Authority may require the original licensee to sell them the generating station from which supply to the area taken over is generated but this would not apply if it can be shown to the satisfaction of the Governor that the remaining consumers in the original licensee's area, after division would be unduly prejudiced by the sale of the Power Station, etc.

5. If the Governor refuses permission to the Local Authorities to purchase the power station, the Local Authorities must take over from the original licensee power station on terms to be agreed either between the parties or under arbitration proceedings.

6. If the Local Authorities satisfy the Governor that the remaining consumers in the original licensee's remaining area will not be prejudiced, the Governor may sanction the sale of the power station, etc., and the price to be paid will be as agreed between the parties or as settled by arbitration. In the latter case, the price will be fair market value having regard to

- (a) Nature and condition of works.
- (b) Spatiability of works.
- (c) ~~Headings~~ Headings of works for immediate supply.
- (d) Loss occasioned by severance but without any condition for
 - (i) Compulsory purchase.
 - (ii) Goodwill
 - (iii) Actual or possible profits
- (e) If the price is agreed between the parties the Governor shall approve any terms so agreed.