

EAST AFR. PROT.
39293

C. O.
39293
Recd
Nov 11 DEC 12

own Agents
Date.
1912
10 Dec.
at previous Paper.
19
7021

Oil Fuel for Lake Steamers.

^{to be reviewed}
Submits further corres. with manage Uganda Railway & Anglo British Oil Co. resp. supply. Co. offer which is considered favourable, holds good until end of Dec. Requests instrns as to entering into Contract.

Mr. Reed.

The immediate point is the last envelope.

2nd noon
D.V.
1912
Wood 25/10
Aimed 17 Dec 1912
Copy for 908. 31 Dec 40628

? Telegraph.
^{recalvos} Referring to Sandiford's letter to CA. 12 Nov. 1912
^{Engidario} fuel for Lake steamers ^{sideplane} when may I expect
^{estopping} despatch. Offer only ^{order to} open to end of year
Pressure Taylor ^{has been} consulted.

W.C.S.
11/12
at mee.

Mr. G. Fiddles

Mr. Reed
I have now heard from the CA. on some points as to which I thought it well to enquire.

(a). The contract would bind us not to buy oil elsewhere during its 7 years currency. Of course if the C.C. failed to find us oil ^{or did not keep contract time} we could buy it elsewhere & they would be liable for any extra cost incurred.

at subsequent Paper
1912
39293

those which last of produce oil but have
tank steamers to carry it. These are

- (1) The Standard Oil Co.
- (2) The Asiatic Petroleum Co (Shell - Sir M. Samuel)
- (3) The Bunnick Oil Co. ~~which~~ ^{is} related
- (4) The Anglo Persian Oil Co

All these have been ^{approached} ~~considered~~, though No 2's
figure of 58s. is the only one given in this
correspondence, and No 4's offer of 47s. a ton
is the best. Mr Currie was of opinion that
it should be accepted.

The C.A. have consulted the Admiralty
experts who consider that we should accept
the offer and regard the Co as sound. I attach
some details from the Stock Exchange Intelligence.

The C.A. consider, rightly I think, that their
exhaustive enquiries do away with the necessity
for calling for tenders.

? Wait for despatch or reply to Calcutta
at this morning

WCSB 12

H. J. R.

12/21

Wait for funding. Let not lose sight of it.
at a P.M. 13

S. K. Sa

Anglo Persian Oil Company.

349

Director: Lord Strathcona Chairman
Col. Wallace
Lt. Hugh S. Barnes, K.C.S.I. K.C.M.G.
J. T. Congill
W. K. D. Grey
W. Garson - W.S.
James Hamilton
C. Greenway (Managing).

Capital: 1,000,000 Ordinary £1 shares fully ^{issued &} paid
1,000,000 ^{1/2}% Pref. £1 shares, 900,000 paid ^{issued}
(all above), fully paid 5/12/14

Prof. dividend guaranteed for 5 1/2% from 1909 by
the Bunnick Oil Co.

Price of Pref. shares, 1911, 19/6 to 22/6.

£600,000 debentures have been issued.

The property consists of

- (1) large oil bearing areas in Persia
- (2) 450,000 (out of £500,000) £1 shares in
First Exploration Co
- (3) 300,000 (i.e. all) £1 shares in Bakhtiari
oil Co.

Neither of these subsidiary companies
appears in the Intelligence

WCSB 12/14

Leak

C. O.
39293
REC'D
Rm 11 DEC 12

350



G
722

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

TELEGRAMS, "CROWN, LONDON."
TELEPHONE 1622 VICTORIA.

WHITEHALL GARDENS,
LONDON, S. W.

URGENT

10th December 1912

Sir,

I have the honour to enclose a copy of the more recent correspondence with the Manager, Uganda Railway and the Anglo-Persian Oil Company Limited respecting the supply of oil fuel for use in the Uganda Railway Lake Steamers. The company's offer, which we consider favourable, holds good until the end of the present month, and we should therefore be glad to learn at an early date whether the Secretary of State approves of our entering into the contract.

I have the honour to be,

Sir,

Your obedient Servant,

For Crown Agents

Enclosures

- 22nd July 1912
- 21st August 1912
- 12th September 1912
- 10th October 1912
- 14th October 1912
- 17th October 1912
- 12th November 1912.

The Under Secretary of State

&c &c &c

Colonial Office

C. O.
39293

Manager Uganda Railway to Crown Agents

REC'D
REGD 11 DEC 12

General Manager's Office

Nairobi

22nd July 1912

5040/104 B

FUEL OIL FOR THE LAKE STEAMERS

Your No 140 G/722 of 29/5/12 and No 154 G/722
of 13/6/1912.

Gentlemen,

On the assumption that the negotiation with the Asiatic Petroleum Company for the supply has broken down and that you are now in treaty with the Anglo Persian Oil Company who offer to supply oil delivered into tanks at Mombasa at 47 sh. per ton as against 58 sh. tendered by the former company, I beg to submit the following suggestions.

That should the negotiations with the Anglo Persian Oil Co., culminate in your being able to secure an agreement on the lines indicated in my letter No 1309/104 of the 21st February 1912 and previous correspondence, that the Company be asked to tender for the supply and erection at Kilindini of the two 1,000,000 gallon tanks of approximately 82'6" diameter by 30'3" high with the pipe line of some 300 yards and flexible pipe 100 feet. This appears convenient and probably an expeditious plan more particularly as the Oil Company's Agent in his letter states that they have erected such tanks at different places all over the world. The point of erection at Kilindini is that shown in the plan accompanying my letter

letter quoted; the site is close to an oil installation belonging to Messrs Smith Mackenzie & Co., I could undertake to get the necessary foundation on which to place the tanks got ready in time for the erection and completion of the work (at our cost independent of the Oil Company).

To assist them in framing an estimate for the erection I may state that there is little skilled labour procurable at Kilindini but if they give me an approximate number of men required (rivetters) I could get them from Bombay at a time to be specified; the rate of wages is about 25 sh. per week. In the case of somewhat similar tanks now installed at Kilindini erected by the Asiatic Petroleum Co., for kerosene oil a couple of leading men sent out from England by that Company carried out the erection, rivetters being provided as indicated above. Should the Anglo Persian Oil Company be disinclined to tender I see no option than to indent for the iron work and get it cut in the usual way and erect as best we can; in which case I must ask that you secure me the necessary drawing showing tanks, pipes and foundation all of which no doubt the Oil Company can easily supply. The objection to our undertaking the work ourselves is that being new to the business it is not ^{so} easy to fix a date for completion and the delivery of oil, while if the business is in the hands of the Oil Company they could say with some certainty. Judging by the rates supplied I approximate the tanks, pipes etc delivered at Kilindini at £4,500 to £5,000 and erection and incidental charges at about £1,000.

As you will see the business is still in the air

and

and hinges on what you can arrange, however I place myself in your hands and beg that you will please favour me with a further communication on the subject.

I have etc.,

(sd) A. Sandiford

Acting Manager Uganda Railway

Crown Agents to The Anglo Persian Oil Co.,

Whitehall Gardens S.W.

21st August 1912

Gentlemen,

With reference to your letter of the 25th March, the Uganda Railway Administration proposes to enter into a contract for the supply of oil during a period of say three years, and we should be glad to know whether you would be willing to undertake such a contract, and, if so, to receive your proposals. You will remember that in March last you quoted 47s/- a ton delivered at Kilindini. The Manager of the Uganda Railway writes as follows respecting the quantity of oil that will be required:-

"The Administration is equipping the
 "present fleet of 4 steamers and 1 tug to burn
 "oil fuel, another steamer and another tug are on
 "order and will be similarly equipped. Our
 "existing fleet is in full work and there is
 "every prospect of the new vessels being fully
 "employed as soon as erected.

"If trade increases in the future as it has
 "in the past few years further steamers will be
 "required in the near future all of which will be
 "constructed to burn oil fuel provided that we find
 "the oil satisfactory.

"Our estimated consumption for our existing
 "fleet of 4 steamers and 1 tug is 200 tons per
 "mensem but until we have had actual experience
 "with this fuel it is impossible for us to give a
 "more definite estimate".

xx

xx

xx

"I am therefore not prepared to agree to
 "take any minimum or maximum quantity but will of
 "course give them an estimate of my annual require-
 "ments at least 4 months before the commencement of
 "each year and at least 4 months notice of any
 "increase in such estimate.

xx

xx

xx

"The amount of oil we shall require during
 "the first year depends upon how quickly we can
 "alter our steamers. We cannot begin to alter
 "them until we have railed up some 700 tons of oil
 "to fill our small storage tank at the Lake and we must
 "then take the steamers in hand one by one.

"I also can not say at present how much oil
 "we shall consume per mile. We are at present
 "running a total average of 6,000 miles per mensem
 "with our 4 vessels the mean tonnage of which is 900
 "tons (vide page 55 of Uganda Railway Administration

"Report

"Report for 1910 - 11).

"After the first year we can of course give
"a very approximate estimate of our annual require-
"ments and I will agree to a ten per cent margin
"on the amount I shall quote i.e. the Company must
"be prepared to supply 10 % more or less than the
"quantity I order."

3. We should also be glad if you will quote a
price for the supply and erection at Kilindini of two
1,000,000 gallon tanks of approximately 82'6" diameter
by 30'3" high with a pipe line of 300 yards and flexible
pipe of 100 feet. We enclose an extract from a letter
from the Acting Manager giving some information as to
site and labour, and we will send you the plan referred
to in a few days.

I am,

Gentlemen,

Your obedient servant,

(Sgd) H. Martin.

for Crown Agents.

ly/12

C. O.
39293

356

Managing Director Anglo-Persian Oil Co. to Crown Agents.

Winchester House,
Old Broad Street,
E.C.

12th September, 1912

The Crown Agents for the Colonies,
Whitehall Gardens,
S.W.

Dear Sirs,

With reference to your letter of the 21st ult. (G. 722) on the subject of the supply of Fuel Oil to the Uganda Railway Administration we have given the matter our careful consideration and beg to reply as follows:-

1. We are prepared to contract for the whole of the above requirements of fuel oil, Flash Point 150° F., for term of years at the price of £2.7.0. per ton delivered at Kilindini in bulk shipments of about 3/4,000 tons.

2. We note that the Manager of the Railway is not prepared to take any maximum or minimum quantity, whilst it is, of course, impossible to estimate, even approximately, the consumption during the first year, but, as you are doubtless aware, Fuel Oil can only be delivered economically in full cargoes as indicated above, and we would suggest that the proposed contract should provide that you purchase in the first place a cargo of 3,000/4,000 tons, and afterwards give us four months notice as to when you require your stock of Fuel Oil in the tanks at Kilindini replenished by a further cargo.

We may say that small quantities could only be delivered in casks as the cost of sending a tanker to

Kilindini to discharge small lots would be prohibitive and for supplies in casks we should, owing to the cost of casks and much higher freight have to quote at least double the price we have quoted for bulk.

3. With reference to paragraph 3 of your letter regarding the proposed tanks at Kilindini, we may say that contracting for the erection of these for account of others scarcely enters into the province of this Company. We have, however, been in communication with our Consulting Engineers who have prepared the following approximate estimate of the cost of erecting, the tanks, exclusive of foundations:-

Two 82'6" Tanks d/d Glasgow	£3,050.
Freight dues and insurance on tanks plus 10 tons of erection tools	400.
Erection at £26 per ton	1,476
300 yards 5" (?) pipes 100 feet 5" (?) flexible hose)	160
Import Duty	say 325.
	<u>£5,431</u>

The price of steel work is exceptionally high at present and the cost of the tanks is based upon an order just placed by us.

4. As we have no knowledge as to local conditions etc. we would not be prepared to contract on the basis of the above figuring, but, in consideration of the contract for the supply of Fuel being placed with us for a term of years, we are prepared to purchase the tanks and erect same for your account, we providing the necessary skilled supervision and charging actual cost only.

Kilindini to discharge small lots would be prohibitive and for supplies in casks we should, owing to the cost of casks and much higher freight have to quote at least double the price we have quoted for bulk.

3. With reference to paragraph 3 of your letter regarding the proposed tanks at Kilindini, we may say that contracting for the erection of these for account of others scarcely enters into the province of this Company. We have, however, been in communication with our Consulting Engineers who have prepared the following approximate estimate of the cost of erecting, the tanks, exclusive of foundations:-

Two 82'6" Tanks d/d Glasgow	£8,050.
Freight dues and insurance on tanks plus 10 tons of erection tools	400.
Erection at £6 per ton	1,476
300 yards 5" (?) pipes	160
100 feet 5" (?) flexible hose	
Import Duty	* say 325.
	<u>£5,431</u>

The price of steel work is exceptionally high at present and the cost of the tanks is based upon an order just placed by us.

4. As we have no knowledge as to local conditions etc. we would not be prepared to contract on the basis of the above figuring, but, in consideration of the contract for the supply of Fuel being placed with us for a term of years, we are prepared to purchase the tanks and erect same for your account, we providing the necessary skilled supervision and charging actual cost only.

5. As the consumption of Fuel oil will not be large during the first year or two and in consideration of the above, the contract should be for a term of at least 7 years.

6. We shall be pleased, to discuss the matter further with you if you will favour us with an appointment.

(Sgd.) H. E. Nichols

Managing Director

THE CROWN AGENTS TO THE ANGLO PERSIAN OIL CO. LTD.

C. O.
39293REC'D
REC'D 11 DEC 12

10th October 1912.

Gentlemen,

With reference to your letter of the 12th ultimo and to the subsequent interview with Mr Nichols as to the proposed supply of fuel oil to the Uganda Railway, I now write to say that we are prepared to enter into a provisional arrangement, subject to the approval of the Railway Administration, with you on the lines indicated in your letter referred to above, that is to say, that the Railway Administration shall be supplied by you with such fuel oil as they require, of suitable quality for burning in the furnaces of the Lake steamers, for a period of seven years, from say the 1st January 1913 at the price of £2. 7. 0. per ton delivered into tanks at Kilindini Harbour. The Railway to provide two 4000-ton tanks together with the necessary pipes lines and connections to enable the oil to be pumped direct from the steamer into the tanks. The tanks to be constructed either by the railway or by you: in the latter case, the expense of erection will be charged to the railway at actual cost price and no charge for Consulting Engineers fees will be made. The oil to be delivered in complete cargo lots of 3000 to 4000 tons at a time and four months notice is to be given when a further cargo is required.

2. On hearing from you we will immediately communicate with the Uganda Railway authorities and ask them to ratify this provisional agreement by telegram, when a definite contract can be drawn up. The new General Manager expects to arrive in the Colony at the end of November; he has been made acquainted with these negotiations and there should therefore be no difficulty in getting a definite reply by the middle of December. We understood from Mr Nichols, when he called here, that your offer would be kept open until the end of the present year.

(Sgd.) W. H. Mercer

The Anglo Persian Oil Co., to Crown Agents

C. O.

39293

361

REC'D

REC'D 11 DEC 12

Winchester House

Old Broad Street

14th October 1912.

Gentlemen,

We beg to acknowledge receipt of your letter of the 10th instant (G/722) and have pleasure in confirming sale to the Uganda Railway Administration of their requirements of fuel oil for a term of seven years delivered at Kilindini in full cargoes of about 3,000/4,000 tons at £2.7.0 per ton. It is quite understood that this sale is subject to ratification by telegram from the Railway Administration and that on receipt of same we will enter into a definite contract.

The oil will be pumped from our tankers into the Railway Administration's tanks at Kilindini Harbour, but we of course understand that we are not liable for Import Duty thereon.

2. In the event of our being called upon to erect the necessary tankage we are to do so at actual cost price and no charge for Consulting Engineers fees will be made. We may say that all tank material ordered by us for our own account is inspected during construction and before shipment - both for the purpose of satisfying us as to the quality of the material and as to the correctness of the gauges and of the drilling of the rivetholes and for this we pay a charge of 1% on the value. This is a procedure we strongly recommend, but if, you prefer to appoint your own inspector this charge would, of course, not be incurred. Whilst on this subject

of

of tankage we would point out the advisability of placing orders at as early a date as possible in view of the difficulty of obtaining reasonable delivery from manufacturers.

3. We note that the new General Manager is expected to arrive in the Colony about the end of November and that inasmuch as he has knowledge of these negotiations it is expected that a definite reply will be received from him by the middle of December. We shall, however, be pleased to leave the matter open until the end of the year.

We are etc.,

(sd) ?

MANAGING DIRECTOR

Crown Agents to Manager Uganda Railway

C. O.
39293

REC'D
PRG'D 11 DEC 12

17th October 1912

363

Sir,

With reference to your letter No 5040/104 B of 22nd of July concerning the supply of oil fuel for the Railway Steamers I have the honour to enclose copies of the correspondence noted in the margin between ourselves and The Anglo Persian Oil Company. It will be noted that the offer of the company remains open until the end of the year and it now remains to decide whether their offer should be accepted. We have discussed the question with Mr Taylor, and he is inclined to agree with us that the terms are distinctly favourable. We shall no doubt receive your decision by telegram in time for us to communicate with the firm before the end of December.

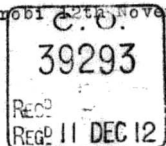
I am etc.,

(sd) W.H.MERCER

General Manager's Office

Nairobi 22nd November 1912

885/104 B



Gentlemen,

I have the honour to acknowledge the receipt of your letter No 267 G/722 of the 17th of October 1912 and enclosures regarding the supply of oil fuel for the Railway Steamers and to inform you that I have addressed His Excellency the Governor on the subject and asked him to communicate with the Secretary of State with a view to his putting the business in your hands in order that you may enter into a contract with the Anglo Persian Petroleum Company for the supply and erection of the Storage tanks at Kilindini also for the execution of a contract for the subsequent supply of the oil.

I shall be glad if, as soon as you receive instructions from the Secretary of State, you will arrange to send me plans and specifications of the storage tanks in order that the foundations may be proceeded with.

(sd) C. SANDIFORD

Acting General Manager
Uganda Railway