



EAST AFR. PROT.
37254

C.O.
37257
REC'D
PROG 29 OCT 13

Governor Tel
Field

1913

October

Last previous Paper

9
34889

NAIROBI ELECTRIC LIGHTING AND POWER COY

Your tel. of 20th October am prepared to give undertaking. Do not admit that Coy has any justification for believing that we intended them to have a monopoly for 10 years after moving but I should not have any objection to extending monopoly until the end of 1917. Have considered Girovard's despatch and I am not in favour of retaining his distinction.

Mr. Thompson
Mr. Bots
Mr. G. Fiddes

I attach to this copy a copy of yesterday's discussion. Several points are still outstanding & may be regarded as bases for bargaining.

1. Date of transfer & terms. I think Mr. Boyd's proposals are good enough.
2. The use of present works - i.e. the dam. Please see paras 7 & 8 of despatch 31/208/12. Mr. Boydson is now obviously more anxious to get some more return for the dam than to know it being used, but the fact remains that in 1912 he proposed the latter course. Borrowing this was no objection. We should want the guarantee against its use for the balance of 50,000, 2/4 of the guaranteed amount.
3. Extension of monopoly. The Governor's objection.

This copy copy above that can't be

34904

the 1000 falls about of the Bay Coast
Compass by 3 years
Extension by 10 years in length by after 1956

In my memo: I have referred to 3/289/12,
in which this was clearly contemplated.

5. Plant to outside the District - question
of taking over. We should get the Co's
views on this. Personally I think that if
it ^{from the} ~~is~~ ^{is} with the Gov't while to examine the
proposed option there is not much justification
for distinguishing the outside from the inside
withly in the matter of food and.

6. Contract The first definitely there is over
with Government, I think we must be so
too. The Gov't party on the train calls
alone with however amount to £3,000
needs of the Bay Co.

We must have built up confidence with the Gov't on
the above points. I should like to discuss to
circulate

1, with an absolute limit of 10 years. If the
full supply is not needed by then there is
no point in locking up Thika any longer.

3 - on the Government's 1918 basis in the first
instance.

4. Indemnity

6
note 2. As I have pointed out, the Bay Coast
in 1912 attached some importance to loss of
control due to expropriation of capital. I
would offer the guarantee against this and
and with give the offer of the Gov't - ^{summed up}

£4,000
1/2 R

I agree
H. J. R.

another
mistake
such a
unpersonal
decision.

any as well
or. He pointed
he wouldn't
at H. J. R.

copy of letter to go to Gov't by first mail
saying that subject to ^{any} modifications,
the way is reported to him by
telegram. We should also show the
news by telegram with as soon as possible
to be able that our proposals are
subject to Government's concurrence. 275

Oct 29 1953

As to (4) in Mr. Bottomley's
minutes I don't see why we
should go beyond the 5 year
period. This, as stated in the
memo, Mr. Bayden is willing
to accept.

As to (1), (see memo to my
circular note) I think we must
make it clear that nothing in
the proposed agreement is to
prevent the Gov't from granting
exclusive rights ^{of supply} ~~of supply~~
outside the district. The Gov't's memo
states that this possibility is contin-
-able & I think Mr. Bayden will
admit this to be reasonable ground
for withholding consent, though it
might possibly not be so in law.
I presume he need not make any
reservation to meet the case of
non-Gov't government monopoly.

Oct 29/53

H. J. R.

Dr G. Fisher

We have made considerable progress towards agreement.

The proposed arrangement with regard to the dam on the Ruera falls are rather complicated & I should make the exemption from Customs dues conditional on the absolute surrender of the dam. On the whole, the exemption will be worth more to the Co^y than the dam.

With regard to $\frac{a}{37000}$ hereafter, we understand from Mr. Douglas that Mr. G^y would raise no objection to the use of the falls in question (which are higher up & at some little distance from the falls which are now being used by the Co^y) by Mr. Foster-Falbot, when the new agreement had been concluded - & we had better tell the Co^y that this is what we understand

draft in the sense of the foregoing minutes.

J. J. R.

30/5/3

Mr. Butler

is in the Attorney General's hands

2151) 80, I think intended that

the conditions, which will apply

the extent of the Govt's responsibility

to supply within the budget. If they

would to do so, they ^{are} ~~should~~ take the

plaint within the district but each

leave them ⁱⁿ ~~in~~ a fine hand as

many ^{as} ~~as~~ possible, C. S. 5/1/10

Memorandum of discussion
with Mr. R. C. Baylorn,
28 Oct 1913

277

Clause of Agreement
Company Memorandum
Attorney General's records

1 A1
A2
A3
2 B7 A4
3 All As

"Kauai District" Agreed. It appears that on the Tika main will be an extension of the present Ruera main the whole of the present 3-mile zone will be included in the new one.

"The Custodian" to include land. Agreed.

Obligation to supply electricity after the monopoly expired. Mr. Baylorn agreed.

Date of transfer. Mr. Baylorn demurred to a fixed date as it might mean that the Company would be forced to incur heavy expenditure on a supply in excess of the requirements of the district at the fixed date. Much better to leave it to the development of the country to determine the appropriate date of transfer. In the meantime, the Co. pay the Co. just off the water, the auxiliary plant must be, & the better the stand by supply which the district would ultimately have.

On the completion of the new agreement the Co. would at once give up all the falls except the one in use, save for the use of the water above that fall for irrigation purposes. Grounds not to be spared. Only one small plantation

the rest can never be affected.

He suggested that if the Company do not go within 5 years planters should be allowed to take the vote for erection purposes to some reasonable amount rather reasonable terms.

It was agreed to admit the proposal as referendum.

(N.B. All the polls except the one now in use were at once ordered for power purposes, but not, of course, for the sale of electricity with the District during the monopoly period.)

B2 A6 Future of present Fall after transfer

a) Use of water for power purposes. The Baylon saw no objection to the present land holder (Ery within 3 miles) being allowed to use the fall for power purposes.

b) Use of works. Machinery & building could be removed, & the only question was that of the concrete dam which had cost

or £3,000?

£2,000. That Baylon thought it unreasonable that a planter should have power & owned other in buy it from the Company should be allowed to use the Company's dam without payment.

He suggested either that the agreement should provide that the Govt. when giving water rights to a planter should provide the ^{payment} ~~compensation~~ ^{made} ~~paid~~ by him to the Company for the use of the dam

or that the Company should retain the lease of the land & build up & improve the Fall, so as to be able to make them for themselves, neither alternative seemed acceptable.

Let the Bay Com. could not agree to regard the ownership of the dam a part of the general bargain. They asked the immediate writing off of a large sum of money in the Company's books.

The point was finally reserved for reference to the Governor 273

[Baylon, that the Company themselves hold the property, & would be disposing the Fall plot on one side of the river & that the land opposite of river was a Government.]

400 B2 A7 Land at Thiba He explained that he had not yet had the Governor's reply to the purchase of Baylon. He thought the case would not be had as no one to support the original negotiation. It is not held for

the purchase of the land

5. B2 A8 Weylens City of the Trinidad order sent to Mr. Baylon for approval.

8 A9 Date of completion Apart from the fact that it was now proposed that there should be no fixed date for transfer, as B. considered a clause of this kind unnecessary. The Co had already completed a supply, and the rest on globe left to them containing liability to maintain an adequate supply.

14 B2 A9 Expiration of monopoly Mr. Bay Com had understood at the meeting with the Govt. that there was to be an extension of the term beyond 1916.

would not be possible to raise the
capital of the monopoly had only
a little over 2 years to run. He was
prepared to compromise & say seven
years from the date of the new agreement.
Subject to the Governor's reply to
telegram this was considered reasonable.

Supply to consumers outside the District
W. Bayloun agreed to the Attorney General's
form, "such consent not to be unreasonably
withheld" accepted.

Extension by 1956 of last then taken over

Mr. Bayloun pressed for the adoption of
the 10 year intervals: -

(a) When the regular franchise in this
country (Electric Lighting Act 1888 -
see extract printed with the papers)

(b) Cession of all rights at 1956 would
jeopardize raising necessary capital
now

(c) If Govt did not expropriate in 1956 &
Co. were allowed to go on they could not
risk any further capital expenditure
after that date, as their time
would be too valuable.

(d) He had raised the point in a letter
to the local Govt. of August 1921 & [had
thought his views were accepted].

[See Govt/31284/12 para. 5 (a) of despatch,
in which the adoption of the E. L. Act 1888
was recommended. The H. G. had written
led in writing.]
Mr. Bayloun was willing to give to a
man five year interval.

See Govt/31284/12

These words
in the form
of the
revised

4th p. 12

I think the
first time
showing that
was accepted

Under this
should refer to
the history

20 85 Am Revision of rates Mr. Bayloun agreed
to the further condition as to revision
after 1931 at 12 mon. notice.

22 Expropriation Agreed to insert
"land" in line 4 for better I p. 10
of agreement 279

130 A15 Expropriation of the 1956 If the principle of
the Electric Lighting Act, 1888, is accepted
this point will be covered.

A16 Govt's position as to taking over plant
outside of a plant and for supplying
electricity outside the District. Mr.
Bayloun was not prepared to accept
the Attorney General's four paragraphs
off hand & it was agreed to refer them
to the Company officially. The main
objection was that the Company might
have outstanding commitments outside
the District, but it was pointed out
that they could so word their
contracts with consumers as to
provide for this contingency.

It is not clear how much
important the Govt attach to this
point. He doubts they do not want
to commit themselves to unknown
liabilities foreign to the main object
of the contract and as they would have
the option to take over they would
be able to improve conditions provided
for any special conditions which
arise in the course of the business.

of important categories outside the District
dependent on the supply of power.

Clause 27, B.N. A. 17

Customs duties on coals, wire, &
ports. We explained that we were
waiting to hear definitely from the
Governor but that according to
present arrangements previously
accepted principles the duties are
levied in order to cover roughly that
part of the C.E. operation which are
competitive with other duty-paying
imports. Mr. Boyce took the
ground that there was no comparison,
as oil, e.g., was imported as a finished
article whereas the cables were
imported for the production of the
finished article.

See Govt / 3/2

- The Govt

is favour

reference

to be

B.N. A. 18

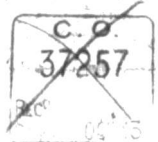
Stand by supplies agreed to

W.L.S.

29.10.70

7257

131



TELEGRAM

The Governor of the East Africa Protectorate to the Secretary of State for the Colonies. 280

(Received, Colonial Office, 4.55 p.m. 28th October, 1913)

October 28th. Your telegram of 20th October

for 131

I am prepared to give undertaking. Do not admit that Company had any justification for believing that we intended them to have a monopoly for 10 years after moving but I should not have any objection to extending monopoly until the end of 1918. Have considered Girouard's despatch, and I am not in favour of retaining his distinction.

BELFIELD.

* No 32131

+ No 29 African No 985.

1859540

EASTERN TELEGRAPH COMPANY, LIMITED.



LONDON STATION

SENT FROM
12, PARLIAMENT
STREET.

WILLER HOUSE, FINSBURY PAVEMENT, E.C. 2
11 OLD BROAD STREET, E.C. 4
LEADENHALL STREET, E.C. 3
20 MININGLAND, E.C. MARKET
5 MARK LANE, E.C. 3

C. O. OFFICE
37257
OCT 1918
11, BOND STREET, S.W.

got from Monbasapo
40/39 28 4-10p
Shapelles

28/28 you like to see any so hand to
Ed ontologic Unica platypus
pived terrida silvergray
to not admit that
company had
any ^{suspicion for} ^{believing that} ^{hardly} we
intended hierostatory
monocracy ^{For 10 years} trustfully
after moving but
see dytol obbed ^{any other} so
extending monopoly ^{unstable and} ^{serious}
1918 silvergray have

REPLIES SHOULD BE ORDERED *Via Eastern*

Doubtful words should be OFFICIALLY repeated. See Rule Book.
E7 No inquiry respecting this telegram will be admitted without the production of the original.

EASTERN TELEGRAPH COMPANY, LIMITED.

LONDON STATIONS

ELECTRA HOUSE,
 FINSBURY PAVEMENT, E.C. 2
 11, OLD BROAD STREET, E.C. 4
 8, LEADENHALL STREET, E.C. 3
 29, MINCHINGLANE, E.C. 4 MARKET
 28, MARK LANE, E.C. 3 BLDG 9

57, HOLBORN VIADUCT, E.C. 1
 40, STRAND, W.C. 2
 47 & 49, PARLIAMENT STREET, S.W. 1
 FOREIGN AUCTION HALL, COVENT GARDEN, W.C. 2
 THE BALTIC, ST. MARY AXE, E.C. 4
 5, DENMAN STREET, ROUGH, S.E. 1

SENT FROM
 42, PARLIAMENT
 STREET.

The following TELEGRAM Received at

From Chapeliers
 Foreign No. 2 No. of Words 10 Dated 1914 Time 10.15 m.

REGISTERED OFFICE
 Eastern Telegraph Co. Ltd.
 42, Parliament Street, London, E.C. 4

282

considered Generous
 despatch at ^{and I am} coramish
^{let in from} favort of retaining
his distinction

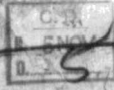
Belfield

REPLIES SHOULD BE ORDERED *via Eastern*

Doubtful words should be OFFICIALLY repeated. See Rule Book.
 No inquiry respecting this Telegram can be attended to without the production of this Copy.

Waterloo & Sons Limited, Printers, 1, Abchurch Lane, London.

7257



283

Gov/37257/E.A.P.

sc. p



Downing Street,

5 October, 1913.
Nov.

DRAFT.

EAST AFRICA PROTECTORATE.

CONFIDENTIAL.

Governor
H. Conway Belfield, Esq., C.M.G.

(Conf)

MINUTE.

Mr. Bottomley 31st Oct.
Mr. Thompson
Mr. Read 3 Nov 1913

Mr. G. Fiddes 3

Sir H. Just.

Mr. J. Anderson 3

Lord Emmott.

Mr. Harcourt. *11/13*

(32131)

(37257)

Nov 4 1913

Sir,

I have the honour to acknowledge the receipt of your despatch, confidential, No. 101 of the 21st of August, and of your telegram of the 28th of October, and to transmit to you the accompanying copy of a letter which I have caused to be addressed to the Nairobi Electric Power and Lighting Company, Limited, on the subject of the proposed transfer of their undertaking to the Thika Fall.

To Nairobi Electric Power & Lighting Co. *5 Oct. Nov*
(Draft herewith)

2 drafts, with dft on 37066.

1857-20

2. The question has been exhaustedly

Excessively

* No 32131

7. No 37257

11/13

exhaustively discussed with Mr.

Bayldon and I consider that a satisfactory agreement should be arrived at on the terms of the letter to the Company.

3. I may observe that on the question of the date of expiration of the Company's monopoly of the sale of electricity, Mr. Bayldon was under the impression that it was intended that the monopoly period should be extended so as to cover a reasonable time for the transfer to the Thika Fall, but in the discussion at this Office

he proposed that the date of expiration should be fixed at seven years from the date of the new Agreement.

I have, however, in the first place adhered to your suggestion that the monopoly should expire at the end

or

of 1918.

4. The Company are anxious that the negotiations should be completed as soon as possible and, subject to any further developments which I shall report to you by telegraph, I shall be glad if you will telegraph your views to me at the earliest possible moment after you receive this despatch.

I have etc.

L.

37257

1 hr
P

Gov./37257/East Africa Protectorate.



285

Arad 39975

Downing Street,

5 November, 1913.

DRAFT.

Secretary,
NAIROBI ELECTRIC POWER AND
LIGHTING COMPANY, LTD.

Sir,

MINUTE.

Mr Bottomley. 31 Oct.
Mr Tennyson. 1/11/13.
Mr Read. 3/11/13

Sir G. Fiddes. 3

Sir H. Just.

Sir J. Anderson. 3

Lord Emmott.

Mr Harcourt. *4/11/13*
for comm

See also *M. J.*
37984 *7*

With reference to the letter
from this Department of the 9th of Oct. ** & Mr. Bayldon's letter of the 1st of Nov. October*, I am directed by Mr. Secretary Harcourt to inform you that, as a result of the discussion with Mr. *F. H.* Bayldon at this Office on the 28th of October, he is prepared to agree to the following conditions as the basis for a new agreement between the Government of the Protectorate and the Nairobi Electric Power and Lighting Company, consequent upon the proposed transfer of the

2 drafts and draft on 37066.

* 34889 not printed

+ No. 37904

18596-20

Company's power station to the Thika Fall. It must be understood that these conditions are subject to a final reference to and approval by the Governor.

2. With regard to Clause 1 of the Agreement of the 26th July 1906, it is agreed that the definition of the "Nairobi district" shall remain as at present, subject to the substitution of the Thika Fall for the Ruera Falls, and that the definition of "The Undertaking" shall in future include land as well as buildings, works, etc. The Governor has signified his readiness to give the guarantee, which the Company desire, that they shall have power of compulsory purchase if necessary of the land in the neighbourhood of the Thika Fall required for the purpose of the power station.

3. Clause 2 of the Agreement will be altered so as to impose on the Company the obligation to supply electricity for lighting and power purposes within the Nairobi district

district until the 8th of April, 1906, and to confer upon the Company the exclusive right to sell electricity within the district until a fixed date to be agreed upon. The question of the date to be chosen for this purpose is dealt with in a subsequent paragraph of this letter.

see paragraph 19.

4. The question of the date of transfer to the Thika Fall was discussed with Mr. Bayldon and it was understood that he objected to a specific date being fixed, as it might involve the Company in the heavy expenditure necessary for the transfer of the works at a date when the supply required for the district might still be met by the power obtained from the present Fall and the auxiliary plant which it is proposed to erect in

Nairobi.

Nairobi. Mr. Harcourt has no objection to the exact date of transfer being left open, provided that an absolute limit of ten years is adopted for the period within which the transfer is to take place. He does not consider that there would be any further justification for reserving the Thika Fall for the use of the Company if the full supply of power is not required within the period of ten years.

5. It was understood from Mr. Baydon that, if the ^{new} ~~new~~ Agreement were completed, the Company would at once renounce all rights over the water and the adjoining lands leased under Clause 4(1) of the existing Agreement in the case of all the falls except the one which is now in use; that is to say, that from the date of the new Agreement the waters of all the other Falls would be available for use.

either

either for purposes of irrigation or for power, subject, of course, to the condition that during the period of the Company's monopoly no power derived from the falls could be sold within the Nairobi district. This matter is of immediate importance, as Mr. Harcourt has under his consideration an application from Mr. A. Aston Talbot for permission to use the water of the upper Ruera Fall, and the adjoining plot of land for the purpose of generating power for use on his neighbouring sisal plantation.

DRAFT.

6. With regard to the fall now in use, Mr. Bayldon agreed that if the transfer to the Thika should not take place in 5 years, the land owners above the fall might take a reasonable amount of water for the purpose of irrigation at reasonable hours, the details of amount and time to be agreed later.

7. After the transfer of the Company's works to the Thika Fall, it was agreed that the Company's remaining rights over the fall mentioned in the existing Agreement should cease, but the question was discussed as to the future use by other parties of the Rueru Fall from which power is at present derived and, in particular, the future use of the works which the Company have erected there. It was agreed that the Government should give no guarantee with regard to the use of the water, and it appeared that the Company would have no objection to such use, at all events so far as the holders of neighbouring land (say within a radius of three miles) are concerned. It was further agreed that the machinery and buildings should be removed by the Company at the time of transfer, but Mr. Bayldon attached much importance to the question of the concrete

dam

dam which the Company had built. He was anxious that the dam should not be used for the purpose of generating power or of driving a mill by someone who would otherwise be a customer of the Company for the power which he required, and he desired that some stipulation should be made which would ensure to the Company some payment in respect of the use made of the dam.

8. Mr. Harcourt observes that this question was discussed with the local government in 1912 and he understands that Mr. Bayldon would then have been content with a guarantee from the Government that the abandoned works should not be allowed to be used by anybody except the Company. It would appear that he did not then attach importance to the fact, mentioned at the meeting of the 28th of October, that the

Company

Company would suffer a considerable loss of capital if the dam were abandoned without any prospect of a return for the expenditure which it involved. Having regard to the difficulty of making any satisfactory arrangement for the future control of the dam, Mr. Harcourt would, on reconsideration, prefer the proposed guarantee of non-user to the suggestions which Mr. Bayldon made in the discussion of the 28th of October, but, in view of what follows, he is of opinion that the Company should relinquish their rights over the dam as part of the general terms of the new concession.

9. On the question of wayleaves for the Company's poles, wires, etc. it is proposed to adopt principles as to compensation to landowners similar to those laid down in the Trinidad

Ordinance

*Copy sent
2/9
3/9/04*

DRAFT.

Ordinance No. 19 of 1911, of which a copy has been supplied to Mr. Bayldon.

10. The Governor has drawn attention to the fact that in the Company's Memorandum enclosed in your letter to the Chief Secretary to the Government of the Protectorate of the 24th of April, 1913, the date of expiration of the Company's monopoly is put at 1925, and he has pointed out that the date on which it was intended that the monopoly should expire was the 8th of April, 1916. Mr. Harcourt has since been in communication with the Governor on this subject and he understands that no undertaking was given at the discussion which took place in Nairobi with Mr. Bayldon that the monopoly period should extend beyond 1916, but that the Governor would be prepared to agree to extend the monopoly until the end of

1919. This date is earlier than that which Mr. Bayldon suggested during the discussion at this Office, but Mr. Harcourt ~~deletes~~ *deletes* the period of monopoly which it allows should be sufficient for the purposes of the Company.

11. With regard to Clause 17 of the present Agreement, the Governor ~~is of opinion~~ *is of opinion* that the form of words proposed by the Company would tend to oblige him to agree to the supply of electricity outside the District whenever the Company were able to show that the supply of electricity within the District would not thereby be prejudiced. He proposes, therefore, that the Company should be authorised to supply electricity outside the District, provided that the consent in writing of the Governor authorising such supply is first obtained

in

in each case, and this modification is accepted by Mr. Bayldon on the understanding that words will be inserted to the effect that the Governor's consent would not be unreasonably withheld.

12. It is to be clearly understood that nothing in the proposed Agreement with the Company is to prevent the Governor from granting exclusive rights of supply outside the District to another ~~enterprise~~ *enterprise* if such a course should prove desirable, or to prevent the Government itself from undertaking the supply of electricity outside the District should circumstances arise which would make such a course desirable, and this should be made clear in the proposed agreement.

13. In connection with Clause 20 the Company have proposed that the con-
cession

concession, if not bought out by the Government or the Municipality of Nairobi either before 1956 or at that time, should continue and that the Government should have the power to expropriate at ten yearly intervals after that date in accordance with the principles of the Electric Lighting Act of 1898. The Governor has pointed out that a provision of this sort involves an important alteration of the principle of the existing concession in which the rights of the Company expire absolutely in 1931, but Mr. Harcourt is prepared, in view of Mr. Bayldon's representations at the meeting at the Colonial Office, to agree to a modification of the Company's proposal which would leave the local government free to expropriate at intervals of five years instead of ten.

DRAFT.

14. With regard to the Company's observations as to a revision of rates under Clause 20 of the Agreement, the Governor has drawn attention to the fact that a further condition is required empowering the Governor at any time after the year 1931, on giving twelve months' notice to the Company, to require that the maximum charges for electricity supplied for any purpose should be further reduced to such sum as may be agreed, or, in the event of a disagreement, as may be settled by arbitration. This further condition is accepted by Mr. Bayldon.

15. Several points arose in the course of the discussion in connection with Clause 22 of the Agreement which deals with the terms on which the Company may be expropriated by the Government.

In the first place, it was agreed that the then value of land, in addition to the value of buildings, etc., should be taken into account in determining the value of the undertaking, and thence the "prescribed price".

Secondly, the terms of expropriation after 1955 will, if the Company agree to the compromise which Mr. Harcourt has proposed, be determined in accordance with the provisions of the Electric Lighting Act of 1888.

Thirdly, the question has been raised by the Colonial Government of the arrangements which it will be necessary to make in connection with the Company's plant outside the district, or plant used for purposes of supply of electricity outside the district, in the event of the Government's taking over the Company's rights within the district. It is

proposed

proposed that the following conditions should be laid down:-

- (1) the Government shall be under an obligation to take over all plant, &c., within the Nairobi District and used for the supply of electricity within the District;
- (2) the Government shall have the option of taking over all or any part of the plant, &c., outside the District;
- (3) the Company on the termination of the concession on the taking over of the Company's undertaking, shall remove any plant not taken over by the Government; and
- (4) in estimating the compensation to be paid for compulsory purchase, goodwill, and loss of profits, any service outside the District which is not taken over by the Government shall not be taken into consideration.

Mr. Harcourt

Mr. Harcourt will be glad to be ^{agree} informed whether the Company have any objection to these arrangements.

16. The question of customs duties on material including cable, wire and posts, imported by the Company was discussed with Mr. Bayldon but left open. It is not possible to extend the existing clause, as the Company have suggested, so as to exempt the new installations necessitated by the alteration of the contract to be imported free of customs duty, as it is contrary to accepted practice to make provision in a contract for any matter affecting the powers of the Legislature.

If, however, the Company will relinquish their rights over the dam, as suggested in the 5th paragraph of this letter, the Government will be prepared to agree that the Customs Tariff

DRAFT.

Tariff Ordinance shall be amended so as to provide for the admission free of duty of all materials required for the purposes of electric power and lighting irrespective of the Company's concession.

It is understood that this exemption would involve a saving to the Company of ~~a sum~~ *a sum, which would be considerably some thousands of pounds, in excess of the original cost of the dam.*

17. The proposal of the Company on the subject of standby supplies is accepted.

18. Mr. Harcourt trusts that the Company will recognize that the conditions laid down in this letter have been framed with a view to meeting the Company on every possible point, and that they will be prepared on their part to accept the provisos which he has considered it necessary to make with regard to the maximum period within which the transfer

transfer to the Thika Fall may be effected,
the use of the Company's dam at the Ruera
Fall, and the date of expiration of the
Company's monopoly.

19. A copy of this letter is being
sent to the Governor of the Protectorate
in order that his views on the arrange-
ments which Mr. Harcourt proposes as a
final basis of settlement may be obtained
by telegraph at the earliest possible
moment.

I am, etc.

M. J. R. O'NEILL

Secretary of State