

EAST AFR. PROT

21413

C O
21413
Rec^d
26 AUG 19

951

1910

Concession to Nairobi Electric Light & Power Co.

Handwritten notes and numbers: 110, 2785/9

The attached is a different version of the report with regard to Concessions especially in view of monopoly rights in waters requested by Co. reads report of Commission on latter subject. Informant who is generally & thoughtfully views that part. The same content of Co Request consist of carload offer of Co. to sell Concessions of part for £50000 Report by Deane & Gunning also in Co offer carload

Print & bring before the Commission etc at their next meeting.

at once.

H. J. R.

27/VIII

Mr. Read

The matter has brought before the Commission at the XXIVth meeting held on the 17th inst. In connection with the matter is discussed.

H. J. R.

H. J. R.

Will please the Govt for further info as to the irrigation

Handwritten notes and numbers: 2785/9

with a view that the matter will
be further discussed with him on his
arrival in the country?

H. J. R.

12/5

22/11/14

Excerpt from the Minutes of the XXXIVth
Meeting of the Concessions and Finance
Committee held on 7th October, 1911

155

Subject 3. The Committee discussed the rights enjoyed by the Company under its concession and it was agreed that the diversion of the streams for irrigation purposes was, in the absence of any arrangements for the return of the water, an infringement of those rights. It was also agreed that by permitting "a certain number of irrigation projects to be based upon" the streams not yet utilized for power the Government had placed itself in an awkward position in relation to the Company. Mr. Kline emphasized the necessity of ascertaining exactly what action the Government had taken in this connection - i.e. whether they had actually granted powers to use the water for irrigation or whether they had merely refrained from diverting its use for that purpose. The Committee considered that further information should be obtained and, on Mr. Lead's pointing out that Mr. P. would be leaving the Protectorate in November, it was

Resolved that "The Committee are of opinion that further information is required as to the irrigation rights which the Government have granted and as to their effect upon the rights of the Power Company and upon irrigation projects present and future, and they recommend that the question should be fully discussed with the Governor when he arrives in England."

GOVERNMENT HOUSE,

EAST AFRICA PROTECTORATE

NAIROBI,

6th August 1910.

CONFIDENTIAL.

My Lord,

On my arrival in the country my attention was called to the somewhat awkward position in which the Government had placed itself by the grant of a Concession to the Nairobi Electric Light and Power Company

2. By this Concession the Company were granted monopoly rights over certain water powers on falls in the Nuera, Nuera, Emtiti, and Nairobi rivers. Up to date they have only exercised their option in so far as one is concerned, the Nuera, where they have erected an electric power station

3. The Crown Advocate gave it as his opinion that the Company was entitled to demand from the Government that the natural flow of water at the falls shall not be diminished by any unreasonable user. He defined 'irrigation' as an unreasonable user, unless the water could be returned to the river - which is, of course, an impossibility

4. These rivers cannot therefore be utilised for irrigation works, and, as they traverse a very large

THE RIGHT HONOURABLE

THE EARL OF CREWE, K.G.

SECRETARY OF STATE FOR THE COLONIES,

WHITEHALL, LONDON, S.W.

number of small farms occupied by white settlers, we are ultimately bound to have difficulties with the occupiers.

5. I recently appointed a technical commission to look up the whole question of the existing water powers near Nairobi, and their report is attached. From this it will be seen that the Company have utilised almost to its full the power which they can extract from the Ruera. They therefore approached me with a view to securing further rights on the Thika and Chania, which were more suitable to their purpose of expansion than their rights upon the Rueraka, Kamiti, and Nairobi rivers.

6. At this period they were apparently quite willing to waive all their rights on the other rivers, and any interference with irrigation on the Thika and Chania, if the power of two falls on these latter rivers could be handed over to them. They also asked that, in consideration for this, Government should increase the period of their Concession to 40 years without exclusive monopoly.

I was about to address you in the matter when I received the attached private letter from Mr Baylden, the Managing Director of the Company, who holds nearly 50 per cent. of the issued share and debenture capital. I instructed the Commissioner of Public Works and the Treasurer to consider his proposals and submit reports, which are now attached.

8. From the Treasurer's report it will be seen that

he is of opinion that financially the proposals are such that they might be acceptable to Government. The Commissioner of Public Works vouches for the condition of the property.

9. In submitting my general report upon the Protectorate I made no mention of acquiring this property as I was not aware at the time that the Company desired to dispose of its concession. The Treasurer puts forward very strong reasons for its acquisition by Government.

10. Our position with regard to irrigation is a very awkward one indeed; and, though I cannot think that this Company intend to utilise the streams mentioned, it is a fact that we have permitted a certain number of irrigation projects to be based upon them - projects which are irrigating highly valuable coffee estates, now in full bearing. To restrict these rights would undoubtedly lead us into serious litigation.

11. I am of opinion that it would be most advantageous to Government to secure control of this Company at as early a date as possible, and I must entirely agree with the Crown Agents in their condemnation of the grant of this Concession.

12. I would beg for your Lordship's consideration of the whole matter and for the inclusion of this sum in the capital requirements of the Protectorate or of the town of Nairobi.

I have the honour to be,

Your Lordship's humble

obedient servant,

GOVERNOR.

REPORT
OF A COMMISSION APPOINTED
UNDER ORDERS FROM HIS EXCELLENCY TO
ENQUIRE INTO WATER POWERS, WATER RIGHTS
AND IRRIGATION IN THE VICINITY OF
SAIROBI

The Commission, consisting of the Commissioner of Lands, the Commissioner of Public Works and the Director of Agriculture, has collected information on the several questions connected with this enquiry, and begs to submit its report.

2. ON WHAT STREAMS AND FALLS HAS THE ELECTRIC POWER AND LIGHTING COMPANY THE RIGHT TO GENERATE POWER?

The details of the agreement set up between the Crown Agents and Mr. C. Hirtzel on the 28th July 1916, so far as they relate to the questions at issue, have been extracted and are shown in Appendix V. Under the agreement the Company which took over the concession from Mr. Hirtzel has the right up to April 25th 1916, with the option under certain conditions to extend to April 25th 1921, to generate of the following falls free of charge:-

- (a) Three falls on the Ruera River at or near the point about 18 miles from Sairobi where the river crosses the Fort Hall Road.
- (b) Two falls on the Wai Raga River at or near the farm owned by Mr. Ashford.
- (c) The falls in the Kamiti River at or near the farm occupied by Mr. ...
- (d) The falls on the Mairai River about fifteen miles from Sairobi.

The positions of these falls are shown in the accompanying map.

The Company is entitled to the use of these falls

solely

solely for generating electricity, which may be used only within a radius of 15 miles from Nairobi.

The part of the country covered by the concession is shown on the map by a circle.

Although the Government or private persons may generate and use electricity for their own purposes, they have no right to sell it within the area named. It is expressly stated that the right conferred on the Company is an exclusive right; but that no right is given to sell the power outside the National District.

It will be seen that the falls allotted to the Company are on different rivers, which converge to the East, and eventually fall into the Athi River.

During the negotiations for the grant of the concession were carried out in the District Office, the falls given were allotted to land which had been allotted to settlers. It was therefore a case of considerable difficulty. The land is generally reserved for agricultural purposes, and the falls are given to an Electric Supply Company. When a drought occurred in 1930 the Electric Supply Company objects to the farmers using water for irrigation on the ground that it reduces the water available for the generation of power. Up to the present time the Company has only one generating station, i.e. on the Ngara River. But it has the right ^{to} establish stations on the other falls and that, thus step a great deal - on irrigation.

WHAT IS THE REAL POSITION? PARLAMENTARY
QUESTIONS 11. 11. 1930

Mr. Bayliss, Managing Director of the Company, says, and we have no reason to doubt the allegation, that the

sum of money already laid out amounts to not less than £35,000. A published balance sheet of the Company (a public document) shows that nearly £30,000 had been spent by the end of 1908.

APPROPRIATE

There can be no doubt that the Company has expended a considerable capital for which it has not to date received an adequate return.

5. WHAT AMOUNT OF POWER CAN BE OBTAINED UNDER PRESENT CONDITIONS*

On this point we have obtained some notes from Mr. Hirtzel made before he applied for the concession.

| | | | |
|----------------------|---|-------|-------------|
| Rua Raka River Falls | = | 178 | Horse Power |
| Kariti River Falls | = | 290 | do. do. |
| Ruera River Falls | = | 460 | do. do. |
| Nairobi River Falls | = | 350 | do. do. |
| | | 1,278 | Horse Power |
| | | ===== | |

These calculations were made in a very dry season and noted that the Nairobi Falls were not suitable owing to their distance and isolation from Nairobi. It was also noted that the actual available power in Nairobi would be 100 or more times as

A glance at the map will show that, given the electrical works of the Ruera, both the Nairobi and Kariti Falls are at some distance East and West respectively from the main line between that station and Nairobi.

The Company has an installation of three machines each of 120 kilowatts = 160 h.p. on the Ruera River. These are capable

capable of developing 340 kilowatts = 380 h.p. with two machines working at once in phase. But when the river runs low there is only enough water to develop 200 kilowatts = 235 h.p.

The voltage of the current is 11,000 volts at the Falls, 10,000 in Parklands and 11,000 at the National at 1,000 volts. For each house a voltage of 220 volts is believed that during drought there will be 100 kilowatts = 115 h.p. could be developed.

Several persons are negotiating with the Company to take power, of whom Mr. Hansberg is the most beyond the Thira, outside the Company's area, and six other concerns require an aggregate of 125 h.p. or a total of 225 h.p. = 147 k.w.

Under the concession the Company has the power to sell electricity to Mr. Hansberg.

If the Uganda Railway and Public Works Department workshops require electrical power, another 300 h.p. would be needed.

The "Peak Load" at the present time is 20 k.w. This will shortly be increased by 40 k.w. for street lighting and 20 k.w. for office buildings. The total future Peak Load then for works in existence or works under construction is 120 k.w. = 207 h.p.

Adding the Uganda Railway and Public Works Department workshops, and Mr. Hansberg's requirements there will be a total of 110 h.p. being developed by the company, leaving practically no reserve power from the present installation.

ARE THERE POSSIBILITIES OF EXTENSIVE IRRIGATION FROM THE STREAMS ON WHICH THE COMPANY HAS ITS RIGHT ABOVE THE FALLS GRANTED TO SUCH COMPANY IS THERE LIKELY TO BE MUCH DEMAND FOR SUCH IRRIGATION?

The Kiambu District is only agricultural the past dry season has brought about the settlements that they must irrigate

irrigate to save their crops.

Appl. actions have already been made for leave to take water from all the rivers on which the Electric Supply Company has rights.

The expense of taking water from these streams would not in the majority of cases entail very heavy outlay; and if water is obtainable there can be no doubt that practically all persons holding land along the banks will be desirous of constructing water furrows, with the result that in a few years some thousands of acres might be brought under irrigation.

For this reason it may be regretted that the Company has the right to take water from so many falls. If it were established a precedent among the Native Falls it would show that their interests in every river in the Nyambu District south of the Kiama.

WHAT FALLS AT PRESENT EXIST ON THE GHENIA AND THIKA RIVERS SOUTH OF THE UPPER EXISTING FALL ON THIKA IN WHICH OF THESE HAS THE GOVERNMENT RESERVED LAND MARKING THE FALLS AND IN WHICH HAS THERE BEEN NO SUCH RESERVATION?

It has been ascertained that the following have been surveyed on the different parts of the District. These are:-

(1) Falls on the Ghenia and Thika near their junction where the road crosses these rivers. Both falls are within 100 feet of the centre of the road, and as much may be considered to be technically inside Government property. The land on the North side of the Thika is a Township Reserve.

(2) Two falls on the hillsides of Asho's land.

The land on the south side of the Nizer has been reserved on the upper fall, but not on the Northern side.

Both sides have been reserved on the lower fall.

Besides the above there is a fall on Mr. Kauru's land above the first fall, and another well known on Mr. Burn's; and a series of rapids on Mr. Milton's farm. The last named consists

FOOD RECORD OFFICE, LONDON

consists of two series of small falls with rapids which it is estimated could each be made to develop at least 6,000 h.p. but the works here would be costly, as they would probably necessitate the construction of flumes of large diameter and of some length.

If more accurate information is required about the falls on the Thika an officer could be deputed to report specialy on them.

e. IF A CONCESSION WERE GIVEN TO THE COMPANY ON ANY OF THE UPPER FALLS OF THE THIKA OR CHANIA OR BOTH, WHAT PROPERTIES ABOVE SUCH FALLS WOULD BE AFFECTED IN THEIR IRRIGATION?

The properties affected would be:-

- (a) South of the Chania, farms of the White Sisters (Roman Catholic Mission) and Mr. Henderson.
- (b) Between the Chania and Thika, that of Mr. Elkington.
- (c) North of the Thika, that of the Hindlip and Fawcus Estates, Limited.

It is believed that sufficient water for irrigation on these farms to a reasonable extent could be permitted without affecting the generation of power at the falls. The Hindlip and Fawcus Estates, Ltd. have already been permitted to take water for an irrigation furrow limited to 10 cusecs, as well as another 10 cusecs for the natives on the Reserve.

It will be apparent that the present position is unsatisfactory inasmuch as the Nairobi Electric Power and Lighting Company has to go to take power from a number of small falls and thus stop a good deal of irrigation. It is further unsatisfactory in that the power which can be generated under existing conditions is small, not nearly as much as should be available for a public supply in a country where the demand for power is likely to continue to increase to a large extent.

We asked Mr. Baydon to favour us with his views. These are contained in Appendix III. There is much to be said for his opinion.

- 10. It is important in this connection that the legal position of the Government as regards the water of all streams should be clearly stated. The Crown Lands Ordinance, 1902, lays down that a grant of land carries with it no right to the water of any river or lake. This has been further emphasized in the Rules for the purchase of land, published on the 21st December 1909. Particular attention is invited to Rules 6 and 7, which require permission to be obtained for the use of the water of any stream or lake. This being the case as regards persons who obtain freehold, it may fairly be argued that no greater rights would accrue on leasehold lands.

In the new Crown Lands Ordinance which has not yet received the assent of the Secretary of State it is stated that a conveyance, lease or licence under the Ordinance shall not, unless otherwise expressly provided therein, confer any right to the water of any river, lake or stream, other than to such water as may be required for domestic purposes upon the land sold, leased or occupied under the licence.

The opinion of the Crown Advocate on the general question will be found in Appendix IV.

Thus we have it that the Crown has an absolute legal right to control and make use of the falls on any river. Also that where land is required for the construction of works necessary for generating electricity the Government in acquiring such land need offer as compensation only the price of the land itself and of any improvements effected thereon; in assessing the compensation the value of the falls

Faint, illegible text covering the left page of the document.

falls will not be taken into consideration. It is undoubtedly the case that individuals have applied for land in some cases with the express intention of including falls within their properties; but although the Government would presumably not hesitate to allow such persons to make use of them on certain conditions, such use would be subject to the proviso that it could continue only until the Government required the water.

The case is well put in paragraph 2 of the Crown Advocate's opinion. A grantee of land containing a fall has a moral claim to the use of the fall as long as it is not required for a public purpose.

The same remarks apply to any private irrigation scheme; and the Government has heretofore not hesitated to permit irrigation works to be carried out when such works were not likely to be against the interests of the other landholders on the river.

The irrigation rules published in the Gazette of the 1st June 1906 were framed with this object.

Nairobi

J. HANTON, Esq.

March 7th 1910.

CHIEF MAGISTRAR.

Agreement of July 26th 1906 between the Crown Agents and Mr. Clement Hirtzel.

1. "The 'Nairobi District' means and includes (1) the Township and all other portions of areas comprised within a circle drawn at a radius of 15 miles from the present Office of the Sub-Commissioner in the Township and also (2) such portion of the district between the said area and the Ruera Falls hereinafter mentioned as shall be situate within one mile of any part of the main laid by the Contractor between the said area and the said falls under this Contract".
2. "During the term of 10 years from the 5th day of April 1906 the Contractor shall be exclusively entitled to supply and on the completion of the installation mentioned in clause 1 hereof shall provide and supply electricity for lighting and power purposes in the Nairobi District upon and subject to the conditions and provisions hereinafter contained."
3. "During the continuance and subject to the provisions of this Contract the following provisions as to water-power shall have effect:-
 - (1) The Contractor may use free of charge the water-power of the three Ruera falls on the Ruera River (which are situate above near the point about 18 miles from the Township where such river crosses the new road from the Township to Fort Hall) for the purpose of generating by means of such water-power such electricity as may from time to time be required by the Contractor for the performance of the obligations imposed on and rights given to him by this Contract but not for any other purpose.

(11) If and so far as the water-power obtained from the said three falls shall from time to time prove to be insufficient for the purpose of generating such electricity as last aforesaid then the Contractor may also use free of charge for the purpose of generating such electricity as last aforesaid but not for any other purpose the water-power of such one or more of the Rua Raka Falls, the Kamati (Kamiti) Falls and the Nairobi Falls as ^{may} from time to time be required for such purposes as last aforesaid and may be specified by the Commissioner. In this paragraph the "Rua Raka Falls" shall mean the two falls situate on the Rua Raka ~~Raka~~ River at or near the farm now occupied by Dr. Atkinson and the "Kamati Falls" shall mean the falls on the Kamati River at or near the farm now occupied by Mr. Hall of Kiambu and the "Nairobi Falls" shall mean the falls on the Nairobi River about 15 miles from the Township.

(11) The Contractor may construct maintain alter renew and use such dams water courses mill-races weirs and other works at or near any falls the water-power whereof the Contractor shall for the time being be entitled to use under the preceding provisions of this clause. Provided that all such works as aforesaid shall be erected on such sites and in such manner and according to such plans as shall have been previously approved by the Commissioner but such approval shall not be unreasonably refused.

(1v) All water which may from time to time be abstracted by the Contractor from any river under any of the provisions of this clause shall after being used by the Contractor for generating electricity under this

Contract be forthwith returned by the said Contractor to the river at a point close to the place where such water shall have been so used and the Contractor shall not diminish the flow of water in such river below such point as last aforesaid and shall not foul any water in such river as aforesaid.

(v) The rights conferred on the Contractor under this clause shall be exercised and exercisable only if and so far as the Commissioner has power to grant the same and only for the purpose of generating electricity for the performance of the Contractor's obligations under this contract and for no other purpose whatsoever. Subject as aforesaid such rights shall be exclusive.

(vi) All rights in the said falls (except the rights hereby conferred on the Contractor but including the right to any surplus power not required for the purposes of this contract) are hereby reserved to the Commissioner who may exercise the same in any manner and for any purpose he may think fit.

14. "Nothing herein contained shall prevent the government from generating electricity and supplying the same to any office or department of the Government within the Nairobi District or to any Government official or servant or prevent any person or persons or any firm or company generating any electricity and using the same for his or their own purpose within the Nairobi District but so that no such electricity shall be sold within such District".

17. "The Contractor shall not at any time during the continuance of this contract supply for consumption outside the Nairobi District any electricity generated under this contract and he shall not permit or suffer any such electricity to be consumed outside such District".

20. *If during the said term of 10 years the Contractor shall to the reasonable satisfaction of the Commission provide and supply in accordance with this contract such electricity as ought to be provided and supplied hereunder and shall duly perform and observe all the other provisions of this contract as far as the same ought to be performed and observed by the Contractor then (subject to the provisions hereinafter contained) the said term of 10 years shall be extended for a further period of 10 years and in that event this contract shall operate and take effect as if the term of 25 years had been substituted for the term of 10 years but not so as to give the Contractor any right to a further extension of the said term beyond 25 years from the 6th day of April 1906.*

Mr. Davidson's opinion.

All the falls on the Thika from those near the Thika and Chanja ridges (including the Chanja Fall) to where the Thika passes the Ithanga Hills should be reserved.

This power which would probably aggregate to 1,000 H.P. should either be worked by Government or let to any company.

The lease in the latter case should not be for less than four or five years.

A European should be allowed to let power on his estate to an Indian in the area served by the Company.

Any European should however be allowed to use water power on his own estate (for his own purposes only).

But a small plant of say up to 700 H.P. could never compete with the price of power which a large company could supply it at.

Therefore it is in the interest of a man requiring a small plant to buy power from a large Company instead of erecting one of his own.

Mr. Davidson says his own land has never yet exceeded 50 H.P. as yet, but he is afraid that if the country goes ahead the demand will exceed the 250 H.P. (at present the maximum load which he can attain with the Ruara River Installation).

Mr. Davidson does not wish to discuss the question of the extension of his present concession or of giving up the falls he holds under it in the event of his obtaining a new and extended concession on the Thika and Chanja.

I consider that any scheme for power supply in this District should have the greatest possible water rights reserved for it.

It is of course impossible to estimate the maximum possible demand.

To do this I would suggest the recovering by Government of land round all the falls on the Thiba and Chania Rivers from the east Hill Road Eastward.

Compensation (trivial in comparison with the value of having a comprehensive scheme on one river) will no doubt have to be paid to some 5 or 6 land-owners.

The chain of falls then available would be capable of developing at least some 11,000 H.P.

It would be then advisable in the case of this particular river to definitely lay down that question of irrigation would be permitted.

The interest of a power scheme of the size herein outlined are too big to be prejudiced by the interests of the land owners on the banks of this river, the total value of whose irrigated land is unlikely to amount to £1,000 at present market value.

It may be argued that why should all these various falls on the Thiba be reserved for the future use of one power scheme, when several private enterprises wanting power might make immediate use of them, to this I would reply:-

a. That to carry out the scheme properly irrigation must not be allowed, (vide 4). In stopping irrigation the land owning interests affected may either have to be compensated.

I am aware that they have no "legal right" to irrigation or to a assured. Therefore as stopping irrigation for one fall practically means doing it for all it is obvious that to do it in the interests of the public supply of power and then let private people use fallower down means incurring the odium of preventing irrigation without reaping the full benefit from stopping it.

b. That the cheapness of power depends on the load, hence it is better for the public for one power company or public supply to have all power users taking from one source.

That load factor absolutely governs prices is abundantly proved by the widely varying prices per unit charged to consumers in England by the public supply companies for the various sized contracts they enter into.

c. Apart from this, it is I believe a fact (point) that with steam generators of electricity in which the operating costs, most, owing to fuel, etc., most very much more directly with output, than when generating by water power, a public power station having an output ten times the size of a private plant run to work one particular works can afford to sell current more cheaply than such small plant can produce it. It is stated that in the Cornwall District where the power is by the power supply mains amount to about 150,000 h.p., that 25% of the electric power used in the district is supplied from the public supply. This in a district of large individual works is significant.

The facilities for water power schemes such as on the Tiber are not often found near the capital of a country.

17

Properly handled cheap power can be ensured to the district, at a price nothing else can get near.

But unless a comprehensive scheme is now definitely provided for, capital will simply be frittered away on small schemes, each on its own, and the price of power to the consumer can never be reduced.

These are my views on the subject: whether the public supply is owned by the Government, or by a company, is immaterial to the policy.

I make no remark on the various detail matters in which the interests of my company are involved, as I understand that the Committee has no authority to make any "terms" with me, except that if a further power scheme is to be carried out by private enterprise here, action should be taken at once and that in my opinion the conditions under which we work at present are such that it is impossible for the public to get as great a benefit from our being here, as would have been got had the fact been appreciated by the Government when the concession was drawn out and latter that "to sell cheaply it must be possible to supply cheaply".

And that as long as the Government continues to employ steam power in the goods Railway Workshops and oil engines in the P.P.W. workshops & goods Railway, Printing Press investors cannot be expected to believe that the Government is trying to encourage the production of a cheaper and more efficient power

(Sgd) R.C. Daydon,

Managing Director.

Hon. Commissioner of Lands,

With reference to your letter dated February 23rd to Mr. Young in which you request further consideration of the questions raised in your minute of 7.2.10.

The question on which you have invited my opinion is as to what are the rights of the Crown and the lessee respectively in a case where land immediately abutting upon a waterfall has been included in an ordinary lease for agricultural purposes granted under the Crown Lands Ordinance 1907 and either the Crown or the lessee is desirous of using the falls for any purpose.

As the lease has conferred upon the lessee no rights to the water in the river, he cannot claim by reason of the occupation of the land abutting upon the falls that he is legally entitled to use the water at the falls.

Should the lessee desire to use the falls he should obtain the sanction of the Government, and any user of the falls without such sanction would be restrained on a writ by the Crown. As to the moral right of the lessee to obtain the requisite sanction I cannot think that the Government would be justified in withholding such sanction unless the proposed user of the falls would be detrimental to the interests of the Community in general or of persons occupying land through which or near which the river flows, or an option to rights in the falls has already been granted to some other person or persons.

Should the Government desire to use the falls or to authorise any person other than the lessee of the land to use the falls so much of the land abutting

on the falls as may be required for the purpose would have to be acquired. In the event of land being acquired by compulsory purchase the value of the falls should not in my opinion be taken into consideration in assessing the compensation.

Yours faithfully,
Ernest Adams

2. 2. 19.

113

28

Enclosure 2 with
in Resp No 80. Conf of Aug 130

C O
2113
REC
1910

163

Nairobi,
2nd June 1910.

Dear Sir Percy Girouard,

In confirmation of our conversation of yesterday,
and as holding £16,400 out of £19,100 share capital issued,
as well as £7,100 Debentures out of the £12,000 raised by
the Nairobi Electric Power and Lighting Co., Ltd., I beg
to confirm my statement "that an offer of Fifty thousand
pounds (£50,000) from the Government for the redemption
of the concession granted in July 1906 to C. Hirtzel and
for the whole plant, goodwill, and electrical undertaking
generally of that Company as a going concern will be
acceptable to them."

This approximately amounts to :-

1. Repaying to the Coy. its cash outlay say £35,000
 2. Paying the Coy. simple interest at Bank rate (8%) on money invested from date of investment to date of sale -

| | | |
|------------------------------|--------|-------|
| i.e. £19,100 for 4 1/2 years | £6,876 | |
| 6,000 " 3 1/2 " | 1,680 | |
| 6,000 " 2 1/2 " | 1,200 | 9,756 |
- * £3,990 at no interest being payable to vendor of concession later
3. 25% Premium on capital value of concern as shown on Co.'s books (say £30,000) 7,500
- £52,256
- LESS
Depreciation on concession plant, machinery, etc. (say £28,000) for 2 years at 4% per annum 2,240
- £50,016

These figures are necessarily more or less approximate only, as they have varying quantities from month to month.

In regard to item 1. it hardly needs comment. In regard to item 2., Bank rate at B.E.A. is charged, the money

money having been invested in F.F.A., and if it had ~~not~~ been put into such things as sound mortgages yielding an immediate return, instead of into an investment in which the profits were knowingly not to be realized for some time, it would have at once produced 9 or 10% from its date of investment.

In regard to 3., the concession (clause 22) shows that the Government considered that after 25 years' enjoyment of the concession the Coy. should yet be entitled to 25% profit on its undertaking for goodwill &c. Therefore to ask it, after having had only 3 or 4 years (the very worst years) and when all the profits are still in front of it, can hardly be called unreasonable.

As I explained to you, my reasons for being prepared to give up the concession are purely private and domestic ones: briefly, that I am needed at home and to go home must sell out as I cannot let my interests out here be without personal supervision, and as there can be no doubt that the concession should, if possible, be secured by the Government to put the public electric supply in Municipal lands and for the solution of the present water rights impasse, I have, in fixing a price to ask the Government, endeavoured to find a fair and definite basis on which to ask it, and the above has been that on which I have worked.

I would add that £50,000 is the lowest I am prepared to take, & that I think it must be clear in putting it at that, though I certainly consider the present water rights impasse to be a very urgent reason (apart from the actual value and returns of what is offered) why the concern should be taken over by the Government as the opportunity occurs, yet I am no party to an attempt on financial plundering on the Government by using the situation as an

asset on which to ask compensation either directly or indirectly.

In discussing the sale of the concern I can of course only do so as a private shareholder; but as I have already mentioned the extent of my holding it must be clear that I am in a position to speak authoritatively, and I am moreover fully justified in so doing as it was only through my help that the Coy. was kept out of liquidation in 1907, when through the erroneous estimates of the promoter the Coy. was short of money and failed to raise it elsewhere.

As to financial details, we made a profit at Nairobi last year of £44 odd, after paying me at the rate of £350 p.a., which would of course be saved. Hence you can call it £350 approximately.

Our average sale of current for that year was Rs. 2086 or say Rs. 2100 per month. I estimate the monthly revenue in view to-day as Rs. 7500 at least.

| | |
|---|-------------|
| You will no doubt require to pay 4% interest on the | |
| £90,000 raised | £2,000 p.a. |
| also 4% depreciation on machinery | 1,000 |
| do. (say £25,000) | ----- |
| Making an additional total of | £3,000 p.a. |

or Rs. 3750 per month.

Therefore, to give you running expenses, interest on loan and depreciation, and a monthly income of under Rs. 6000 is necessary, and I have no hesitation in stating that it is available. I take 4% depreciation as if placed annually on fixed deposit at the Bank (at 3%); it will by compound interest reach a capital sum of £100 in 10 years, which is less than the average life of the plant.

Details are of course open to your representative's inspection.

It is quite impossible for me to tell you in comparison what the concern would cost you if you wait to take it over till the 25 years have expired (as per clause 225f the concession) as no one can predict what increased requirements of power may not have been catered for at that date, so I do not attempt to do so.

In regard to the actual plant itself, it was, as you are no doubt aware, designed and put in by Consulting Engineers approved by the Crown Agents (see clause 9 of the concession) who had an absolutely free hand, with their own representative in charge. These Consulting Engineers were required to give a guarantee to the Crown Agents that the work would be properly done before the concession was signed. Hence the fact that the plant is a good, new, and up-to-date one can easily be proved.

I remain,

Yours very truly,

R. CORRETT BAYLTON.

H. E.

Sir E. P. G. Girouard, KCMG, DSO, RE.

*In document 3
in Dept. No. 80. Conf. 9 Aug 1910*

PRIVATE AND
CONFIDENTIAL.

23413
REC^d
AUG 26 1910

SECRETARY

With reference to M.P. 2369 of 1909 and the various files concerning the Nairobi Electric Light and Power Co., I have received the attached private letter from Mr Baylton. Mr Baylton is desirous that the consideration of his letter should for the present be of a private character.

I would desire the Commissioner of Public Works and the Treasurer to consider Mr Baylton's letter, with the report of the Commission on Water Rights and the Crown Advocate's opinion thereon.

It would appear from the Crown Advocate's opinion that the Company is entitled to demand from the Company that the natural flow of water at the falls shall not be diminished by any unreasonable user.

My object in appointing a Commission to consider the whole question of the streams and falls which have been sold off to this Company, the amount of power which could be obtained from them, &c., was to attempt to arrive at a solution with this Company of the impasse which we had reached with regard to the irrigation of land by settlers.

The power which is being utilised by the Company at present is being drawn entirely from the Ruera River, but the Company has rights upon the Rueraka, Kamiti, and Nairobi Rivers, which if ever exercised would place the Government in a difficult position with regard to settlers
along

along these streams and their tributaries. The Eucra power will shortly be utilized up to its full capacity.

When Mr Baydon first approached me - though he fully realised both his own position and the difficulties of Government if he sought to increase his power by the utilisation of any of the other falls told off to the Company - I think he was prepared to waive these water rights provided he could receive a concession of the Thika and Chania water powers. These latter were subject to a moral claim upon the part of Messrs Elkington and Henderson, excepting one half of the Thika fall which lies upon Government ground. Moreover Mr Henderson, though having no right in law, had been verbally told through the former holder of his land - Captain Cowie - that the Commissioner of Lands had agreed to that farm including one half of the Chania waterfall. I believe Mr Baydon approached both Messrs Elkington and Henderson to waive their rights, such as they were, for consideration.

Mr Baydon gave me to understand that, provided these rights could be acquired and the terms of his concession could be extended to say 40 years without any monopoly, he might be able to recommend the recession of all their powers, excepting the Eucra, and all interference with irrigation.

The matter stood as above upon my receipt of his private letter.

There is no doubt in my mind that the Company would not seek to extend its power stations by establishing new ones at the other falls to which they have a right, the falls being too small, and that therefore Government would be fairly safe in allowing irrigation to go on. Government has, in fact, already done so in the case of some of the

Limoru and Kyambu farms. Nevertheless the position is not entirely secure.

It would appear desirable and necessary to acquire the plant, &c., of the Company, as no doubt it must be a valuable municipal asset in the future. Mr Baylton's proposals cannot however be deemed moderate, or perhaps even reasonable; and, as he is not in a position at the present time to oblige Government to immediately restricting irrigation or come to terms, I would desire a report upon the whole subject with a view to submitting recommendations to the Secretary of State in the matter.

GOVERNOR.

GOVERNMENT HOUSE,

NAIROBI, 10th June 1910.

*Indlosure letter
Asp No 88 Cont 17 Aug 1910*

MEMORANDUM on Mr Bayldon's offer to surrender his Electric Power Concession, together with the whole plant, goodwill, and electrical undertaking generally of the Nairobi Electric Power and Lighting Company as a going concern to the Government of the East Africa Protectorate for the sum of £50,000.

Mr Bayldon states that he makes his offer for personal reasons, viz. that he finds it impossible to continue to reside in Nairobi and exercise that strict personal supervision over his large interests in the Company which he considers essential.

He makes the offer to the Government, in the first instance, because he considers that the Concession should be secured by the Government.

He contends that, apart from the question of water rights on rivers the falls of which are controlled by his Company - which question may cause serious embarrassment to the Government in the near future - his offer is a sound business proposition, and he supports this contention with statements and estimates.

He left a strong impression on my mind that in his opinion the question of water rights referred to above would largely influence the Government in coming to a decision as to taking over the concern, though both in his letter of 2nd June to His Excellency and in the course of conversations I have had with

with him subsequently he has been very anxious to make it clear that he is not using the water question as a lever in any way. Nevertheless the impression remains.

In his letter of 2nd June Mr Baydon states that £50,000 is the lowest figure he is prepared to accept, and when pressed on this point in conversation he repeated this statement, adding that if the Government did not wish to avail themselves of his offer the financial position of the concern was so sound that he anticipated no difficulty in obtaining that sum for it from the public.

It is obvious that the concern is more valuable to the Government than to a public company - provided it is financially sound - for the reason that with the Government the question of termination of lease need not be considered. Therefore, if the public would subscribe £50,000 to take it over, it would appear to be a comparatively better bargain for the Government to do so at the same figure.

Further, there is no denying the fact that, as long as a company controls, or can at its wish control, so large a watershed as that ceded by the concession, the Government may find itself bound to spend considerable sums in the form of compensation to farmers or to the Company. Though possibly not legally bound to step in, there would appear to be a moral obligation for the Government to do so were the position to become acute.

On the other hand the cost of transferring the concern to Government would be infinitesimal when compared to the cost of reconstructing the company.

with him subsequently he has been very anxious to make it clear that he is not using the water question as a lever in any way. Nevertheless the impression remains!

In his letter of 2nd June Mr Bayldon states that £50,000 is the lowest figure he is prepared to accept, and when pressed on this point in conversation he repeated this statement, adding that if the Government did not wish to avail themselves of his offer the financial position of the concern was so sound that he anticipated no difficulty in obtaining that sum for it from the public.

It is obvious that the concern is more valuable to the Government than to a public company - provided it is financially sound - for the reason that with the Government the question of termination of lease need not be considered. Therefore, if the public would subscribe £50,000 to take it over, it would appear to be a comparatively better bargain for the Government to do so at the same figure.

Further, there is no denying the fact that, as long as a company controls, or can at its wish control, so large a watershed as that ceded by the concession, the Government may find itself bound to spend considerable sums in the form of compensation to farmers or to the Company. Though possibly not legally bound to step in, there would appear to be a moral obligation for the Government to do so were the position to become acute.

On the other hand the cost of transferring the concern to Government would be infinitesimal when compared to the cost of reconstructing the company.

The directors of the existing company would be spared a lot of worrying and expensive negotiations.

It will be remembered that when negotiations were proceeding with the promotion of the Company, the Crown Agents strenuously opposed the granting of the concession but it was too late to stop it. (Vide par. 5 of the Crown Agents' letter to the F. O. of 20/3/05). The reasons given are that the policy of granting to any private individual or company a concession carrying with it the supply of an article of a monopoly character, such as water, gas, electricity, telephone, railway or tramway, is of very doubtful wisdom and not in accordance with modern ideas, which are that such supplies should be the property of the community and worked for their benefit. The Crown Agents add that the other policy of allowing vested rights to grow up in monopoly articles has proved a very disastrous one for the public and is now being reversed very generally but at ruinous cost to the community which has to bear the cost of expropriation.

The position however was that the local Government had committed itself to such an extent that the Foreign Office was unable to see its way to disallow the granting of the concession.

It would therefore seem that any opportunity of cancelling the concession should receive the most careful consideration, not merely from the point of view of getting out of a water rights difficulty, nor merely from a commercial aspect, but from the broader point of view of abolishing a privately-owned supply monopoly.

This last consideration would probably carry considerable weight with the Treasury and the C. O. when the matter is placed before them.

If it is admitted that it would be to the advantage of the Government to take over the concern, in order to reacquire the supply monopoly and also to facilitate water rights questions, it must also be admitted that these advantages are worth paying for and should not be lost sight of in considering the financial aspect of Mr Baylson's offer from a purely commercial point of view.

Turning now to the commercial aspect of Mr Baylson's offer; as already stated he places the capital value of the concern at £200,000. In his letter of 2nd June he explains how he makes up this figure. But it would not appear to be of any use to analyse his figures. All that is wanted is to see what relation the profits of the concern bear to the price he demands. I do not see that the Government is in any way concerned with what he makes or loses on the undertaking prior to handing it over, nor, of course, would any new company taking over concern themselves with such details.

I asked Mr Baylson to prepare in an intelligible form a detailed estimate of the concern for the year 1911 showing the monthly average earnings for that year and also the earnings for December (the last month of the year).

To assist him I furnished him with a copy of the Uganda Railway estimates, and he then prepared detailed estimates similarly arranged.

I have scrutinised the details of these estimates

to the best of my ability, and as far as I can judge they are substantially correct. As regards expenditure, owing to the technical nature of power supply, I am unable to criticise the details; but, having discussed them with Mr Watts, I gather that subject to a few modifications he is satisfied that enough has been allowed. I will deal later with these modifications and will now proceed to analyse the totals as they appear in Mr Baylson's estimate.

Taking the average monthly earnings for 1911, Mr Baylson estimates a gross income of £6,930. He places the working expenses at £2,670, thus showing a profit on the year's working of £4,260.

In his estimate of expenditure he allows, however, nothing for depreciation of plant and machinery. For this something must be allowed, and Mr Baylson suggests a sinking fund of 4% on the capital outlay. Such a fund, invested at compound interest at 3½% for 18½ years, would accumulate to the amount of the capital.

The capital outlay (apart from promotion fees, &c.) to secure the estimated receipts at the end of 1911 would be £27,960, and 4% of this would be £1,110. If a loan were granted to provide the £20,000 required by Mr Baylson, annuities of £2,800 would be required to repay the same in 30 years.

The £6,930 income would therefore be available for the following purposes :-

| | |
|--|--------|
| Working expenses | £2,670 |
| Annuities on £20,000 loan | 2,800 |
| Sinking fund for replacing plant and machinery | 1,110 |
| Balance - net profit | 650 |
| | £6,930 |

If the concern were to be taken over by a company it would be necessary to provide a sinking fund for repaying the capital on the termination of the lease. I do not think the above figures would satisfy the investor on this point, and I have therefore very great doubts as to whether Mr. Baydon would be able to get rid of the concession to anyone outside the Government for the sum he asks.

Still, as far as the Government is concerned, the above figures would appear to show that the undertaking is commercially sound.

Mr. Baydon arrives at his Revenue estimate in the following manner :-

| A. LIGHT. | Rs. per month. |
|---|-------------------|
| Income from existing installations based on average receipts for April & May 1910 | 2,300 |
| Government bungalows on order | 375 |
| 2nd K.A.P. streets on order | 50 |
| Government Boarding School | 37 |
| Street Lighting, 16 miles now installed | 1,000 |
| " " " not yet " | 150 |
| Uganda Railway subordinates' quarters, Rs. 600 ordered | 1,000 |
| Other Departments, clerks' quarters | 150 |
| Private residences not yet attended to owing to pressure of other work | 300 |
| TOTAL LIGHTING | <u>5,202</u> |
| B. POWER. | |
| Average receipts, January-May 1910 | 300 |
| Orders not yet installed | 300 |
| Probable increased demand | 250 |
| TOTAL POWER | <u>1,250</u> |
| C. CONTRACT DEPT. | |
| Installing 500 points | 4 per annum |
| 43-horse power motors | 1,100 |
| TOTAL CONTRACT DEPT. | <u>1,100</u> |
| | <u>21,480</u> |

SUMMARY.

| | |
|--|---------------|
| A. LIGHTING Rs. 6,662 p.m. - 56,744 p.a. | 24,450 |
| B. POWER Rs. 1,200 p.m. - 12,000 p.a. | 1,000 |
| C. CONTRACT DEPT. | 1,400 |
| TOTAL INCOME | <u>26,850</u> |

It should be noted that the revenue earned by the Contract Department is a set-off against the expenditure shown in Mr Baylson's estimate in Schedule D. which is shown at £1,092. The difference cannot all be regarded as profit, as no allowance is made under expenditure for supervision, which can be found from the staff provided for under other expenditure schedules. Still, if the Contract Department were to be abolished, the net result would be a loss of £300, as, although the supervision would not be necessary, at the same time none of the staff from which the supervision is at present available could be retained.

It would perhaps have been better to have omitted Revenue Abstract B. and Expenditure Abstract D. from the estimate altogether, and to have had a separate Revenue Abstract for 'profit on installation of light and power - £300.' The net result would have been the same.

As far as I can judge the estimate of Revenue as a whole is by no means over-optimistic.

By the end of 1911 Mr Baylson expects the increase over the average for the year to be Rs. 700 p.m. for light and Rs. 700 p.m. for power. As regards the estimated increase for light, this estimate appears in order, but the increase in power includes Rs. 400 p.m. from the Railway and Public Works Departments which is

very problematical and would involve some considerable expenditure on behalf of the Government for installing electric motors in place of the existing steam and oil engines.

I think it would be better to count only on an increase of say £80 p.a., or £720 p.a., which would bring the Revenue earned from the concern up to £7,650 p.a., or, omitting the Contract Department receipts, to £6,170 for light and power.

Omitting the Contract Department from both the Receipts and Expenditure, and assuming - as Mr Baylson claims - that the expenditure estimated for 1910 would be able to cope with a revenue equal through the whole year to what he estimates it will be during December, the 1912 estimate would be as follows :-

| | | |
|----------------------|--------|--------------|
| Receipts | | 46,170 |
| Expenditure | | |
| Working expenses | 41,578 | |
| Annuities | 2,500 | |
| Sinking Fund | 1,110 | <u>3,188</u> |
| Balance - net profit | | <u>4,982</u> |

But, in addition to the £50,000 which Mr Baylson asks for, the Government would be obliged to embark on further capital expenditure, which Mr Baylson estimates as follows :-

1. Lining the Flume at 4th works with steel 41,000
 2. Extension of town distributing mains 1,280
- 42,280

Without the former expenditure the cost of maintenance would be considerably increased owing to constant repairs and up-keep expenses of the existing wooden flume. Without the latter the revenue estimated could not be earned. But any stock on hand when

the Government took over would be valued and charged to 'Unallocated Stores' in the Government accounts, so that the whole of the £50,000 would not be charged to a final head, and as the stock might value £1,250 it is quite possible that the capital expenditure indicated above might be paid for out of the £50,000.

In any case I think it should be made a condition that the £50,000 should be subject to a deduction equal to the difference between the amount of capital expenditure which the Government would be let in for, less the value of unissued stock, provided the former exceeded the latter.

I have referred to certain modifications which appear to be necessary in Mr Baylton's estimates. These I have discussed with Mr Watts, as technicalities are involved, and are as follows :-

1. Abstract A. If Government were to take over we could probably economise on the Accountant and Storekeeper for which £300 p.a. is provided. Probably additional clerical assistance in the Public Works Department to the extent of £300 at the very outside would be sufficient.
2. 10% for contingencies should be added to Abstracts B, and C. - An increase of £60 p.a.
3. Abstract C. Repairs and Maintenance is too low and should be increased to say £100 - An increase of £45, plus £5 for contingencies, or £450 respectively of B.
4. Mr Watts states that, in addition to the £1,250 capital expenditure under Abstract D., £500 will be required for improving the head works at the dam.

It will be seen that only 1, 2, and 3 affect the annual expenditure of the concern, 4 affecting capital expenditure.

With regard to the depreciation fund, I have stated previously that 4% on the cost of the machinery and plant would, invested at compound interest at 5½%, amount to the cost in 18½ years. Mr. Baylson claims that the life of the plant is considerably more than 18½ years. On this I can express no opinion, as the matter is a purely technical one. A more or less detailed statement of machinery and plant should be prepared, showing cost ^{and} rate of deterioration of the different parts.

If the Government takes the concern over it would be fair to credit to its income the 5% p.a. which is charged to officials in whose houses the light is installed, and possibly also the same percentage against the Municipality for street lighting. The expenditure which the Government has incurred for street and house lighting - £3,000 - could be treated as written off capital.

Other questions which are involved, and which are technical ones on which I can express no opinion but must leave to Mr. Watts, are :-

1. Condition of existing plant and machinery.
2. Capacity of existing plant and machinery and ability to undertake estimated lighting for 1912 without adding thereto.
3. Capacity of water power at present used.
4. Relative cost of increasing available power by :-
 - (a) additional machinery at existing works.
 - (b) artificially increasing the water supply at existing works such as by raising the dam.

- (c) extending to other falls at present controlled but not used by the Company.
- (d) moving the whole works to other falls controlled by Government and relinquishing the existing works altogether.
5. the effect on irrigation of any of the alternatives detailed in 4.

I attach the following documents:-

- A. Mr Baylson's estimates.
- B. " " letter of 25th June 1910.
- C. " " " " 7th July "
- D. " " " " 6th " " (with enclosure)

In his letter of 25th June Mr Baylson states that he would be willing to take the £50,000 in 5% debentures. This does not appear to be a favorable arrangement for the Government, as there are at present no prospects of providing an adequate sinking fund for the redemption of the debentures; whereas a £50,000 Government loan could be repaid, capital and interest, for the amount which would be required to pay interest alone to Mr Baylson.

THOMAS BAYLSON

EAST AFRICA PROTECTORATE.

NAIROBI, 6th July 1910.

Factorial file No
Staff As. S. Conf. by Aug. 19.0

2013
REC-
Aug 23 1910

MINUTE BY THE COMMISSIONER OF PUBLIC WORKS
ON MR BAYLON'S PROPOSAL.

With reference to the condition of the present plant, I believe it is on the whole sound and in good order, as the tests hitherto made by Government officers under the authority of the Commissioner of Public Works have been generally satisfactory; moreover that the plant will last for 10 years except the timber Flume which will have to be replaced in the course of a few years by a steel one. In speaking of the present plant I refer to the installation of turbines dynamo ec. at the Suera River, also to the Dam (concrete) and timber Flume there. - Likewise to high and low tension mains, steel poles, transformers, ec. ec., that is to say, to all the plant necessary for delivery of electric power, also for street and house lighting up to the terminals in the buildings. As regards internal lighting and wiring, as that is paid for by the householders, and has to be maintained at their expense, in considering the price to be paid to the Company for its present works the questions of ~~internal~~ house internal wiring and lights need not be considered.

As regards the other scientific questions mentioned by the Hon. the Treasurer, I think they are met by

The
12

2.

the report of the Commission. (Please see Secretariat
N.P. 2369/1909 (b).)

G. K. Watts

COMMISSIONER OF PUBLIC WORKS.

NAIROBI,

29th July 1910.

the report of the Commission: (Please see Secretariat
M.P. 2369/1909 (B).)

G. K. Swales.

COMMISSIONER OF PUBLIC WORKS.

NAIROBI,

23rd July 1910.

43

1919



THE SECRETARIAT
EAST AFRICA PROTECTORATE
NAIROBI

RECEIVED
9 SEP 1919
COLONIAL OFFICE

The Secretary to the Administration
of the East Africa Protectorate
presents his compliments to
the Hon. Secretary of State
for the Colonies and begs to
acknowledge the receipt of
your letter of the 27th inst.
and to inform you that the
same has been forwarded to
the relevant authorities for
their consideration.

1919

to be inserted in
Dispatch Com. No 20 of Aug¹⁸ 1910

A

COPY.

STRICTLY CONFIDENTIAL.

193
NAIROBI ELECTRIC POWER AND LIGHTING CO.

WORKING AND MAINTENANCE ESTIMATES

1910 - 1911.

NAIROBI ELECTRIC POWER AND LIGHTING CO.

WORKING AND MAINTENANCE ESTIMATES - 1910-1911.

EXPENDITURE

| Item | Abstract | Estimate for 1910 | Estimate for 1911 |
|-------------------------------------|----------|--------------------------|----------------------|
| General Charges | A | 1,282 | 787 |
| Generation and Supply | B | 736 | 736 |
| Repairs and Maintenance | C | 274 | 22 |
| Contract & General Stores Depts. | D | 1,092 | 1,092 |
| Expenditure | | 3,384 | 2,677 |
| Balance nett earnings | | 1,211 | 4,260 |
| Total | | 4,595 | 6,937 |
| Capital Expenditure | E | 50,000 Purchase Price | 1,250 |

REVENUE

| Item | Abstract | Estimate for 1910 | Estimate for 1911 |
|--|----------|----------------------|----------------------|
| By sales of current for lighting | X | £ 2,500 | £ 4,450 |
| by Power | Y | 500 | 1,000 |
| by Contract & General Stores Depts. | Z | 1,595 1909 result | 1,450 |
| Gross Earnings | | 4,595 | 6,900 |

REVENUE

| Item | Abstract | Estimate for 1910 | Estimate for 1911 |
|--|----------|----------------------|----------------------|
| By sales of current for lighting | X | 2,000 | 4,460 |
| by Power | Y | 500 | 1,000 |
| by Contract & General Stores Depts. | Z | 1,595 1909 result | 1,480 |
| Gross Earnings | | 4,595 | 6,940 |

ABSTRACT A.

243

GENERAL CHARGES

| | Particulars. | No. | Salary in Rs. per mensem | Estimate for | |
|-----------------------|--|-----|--------------------------------|-----------------|--------------------------------|
| | | | | 1910 2 | 1911 if under Government |
| Company Management | Managing Director (R.C. Baydon) | 1 | 375 | 300 | 211 |
| | Travelling | | | 45 | * |
| Electrical | Manager & Chief Engineer (C. Udall) | 1 | 438/50 | 390 | 330 |
| | house | | 62/50 | 50 | 60 |
| | travelling & leaves | | | 54 | 54 |
| Office | Accountant (Hebson) | 1 | 275 | 220 | 220 |
| | Storekeeper & Clerk | 1 | 100 | 60 | 60 |
| | Boy | 1 | 10 | 8 | 8 |
| | Rent | | 90 | 72 | - |
| | Stationery & Postages | | | 30 | 25 |
| | Audit | | | 20 | - |
| | Legal | | | 20 | - |
| | Insurance | | | 30 | - |
| | | | | <u>1,882</u> | <u>787</u> |

ABSTRACT B.

GENERATION AND SUPPLY

| Particulars | No. | Salary per month | Estimate for | |
|--|-----|---------------------|--------------|-----------|
| | | | 1910 | 1911 |
| 1st Engineer (C. Bedding) Personal allowance | 1 | 250 31/75 | 200 25 | 200 25 |
| 2nd Engineer (C. Thornton) | 1 | 160 | 120 | 120 |
| Travelling & leave of absence | 2 | | 60 | 60 |
| 3rd Engineer (loc- ally engaged) | 3 | 50 | 144 | 144 |
| Greasers | 3 | 1 @ 30 2 @ 30 | 60 | 60 |
| Boys | 5 | 5 | 20 | 20 |
| Miscellaneous, oil waste, etc. | | | 10 | 10 |
| Linemen | | 50 | 54 | 54 |
| | | | 736 | 736 |

ABSTRACT 9.

REPAIRS AND MAINTENANCE

| Particulars | Salary per Month | Estimate for Materials | |
|--------------------|------------------|------------------------|-------------------------|
| | | 1910 | 1911 |
| | | Wages & Materials | flume steel lined |
| Flume | | | 5 |
| Main | | 10 | 10 |
| Machinery | | 5 | 5 |
| Sub-station | | 20 | 20 |
| Houses & Buildings | | 10 | 10 |
| Dam | | 5 | 5 |
| | | — | — |
| | | 274 | 55 |
| | | — | — |

R. & M. are carried out in general by the permanent staff (salaries in Abstracts A & B), sufficient staff being maintained for this purpose.

Wages shown opposite flume are extra labour due to high maintenance charge on wood flume.

2.

ABSTRACT D.

CONTRACT & GENERAL STORES DEPTS.

| Particulars | No. | Salary per mensam | Estimate for | |
|-----------------|-----|----------------------|--------------|--------------|
| | | | 1909 | 1911 |
| Materials | | | £ 690 | £ 690 |
| Salaries | | | | |
| Foreman Wiremen | 1 | 180 | | |
| Wiremen boys | 5 | 290 30 | 402 | 402 |
| | | | <u>1,092</u> | <u>1,092</u> |

JUNE 1909 - Contract Dept. (Temporary Establishment)

Personal Emoluments :

| | |
|-----------------|-----|
| J. Campos @ Rs. | 180 |
| D. Fernandes | 60 |
| C. Fernandes | 60 |
| Tara Singh | 60 |
| Boj Singh | 60 |
| Kata Singh | 60 |

The Establishment varies with value of work and
orders received.

ABSTRACT E.

CAPITAL EXPENDITURE.

| Particulars | To 1/1/10 | Estimate for | |
|--|---------------|--------------|--------------|
| | | 1910 | 1911 |
| Concession, Company, legal, & building up the business | 10,000 | | |
| Plant, Machinery, mains, stocks in hand, and Capital A/C generally | 23,600 | 1,500 | |
| Extension of town distributing mains | | 1,500 | 250 |
| Lining present flume with steel trough | | | 1,000 |
| | <u>36,500</u> | | <u>1,250</u> |

With this capital expenditure Flume upkeep will be reduced to figure given in Abstract C. (Capital cost taken from estimate sent out to me but not acted on owing to possibility of moving out to Chania river in near future); and the Plant will be fully equipped to earn the revenue given under column 'Rs. per month Dec. 1911' in Abstracts X and Y.

The present plant at Fuera can be guaranteed to be sufficient to meet the requirements of the load required to produce at least Rs. 9000 per month revenue.

ABSTRACT X.

REVENUE FROM SALE OF CURRENT FOR LIGHTING PURPOSES

| Particulars | Estimate of | | |
|--|---------------------------|-------------------------------|---------------------------|
| | Rs. per month Dec 1910 | Average per month 1911 | Rs. per month Dec 1911 |
| Average Sale April May 1910 | 2300 | 2300 | 2300 |
| Govt. Bungalows on order | 375 | 375 | 375 |
| Govt. F.A.R. streets | 50 | 50 | 50 |
| Govt. School | 37 | 37 | 37 |
| Street lighting 16 miles | 1000 | 1000 | 1000 |
| do additional 2 1/2 " | - | 150 | 150 |
| Govt. subordinates quarters | 1000 | 1000 | 1200 |
| Govt. " | - | 150 | 150 |
| Govt. new station and yard | ? | ? | ? |
| Govt. and Police lines (new) | ? | 60 | 60 |
| Private residences (not yet attended to owing to pressure of Govt) including Jeevan- jee's new houses | - | 500 | 1000 |
| | Rs. 4762 | Rs. 6562 | Rs. 6262 |
| | | = 24,450 per annum 1911 | |

203

ABSTRACT Z.

REVENUE FROM CONTRACT AND GENERAL STORES DEPT.

| Particulars | Result; 1909 | Estimate for 1911 |
|--------------------------------|-------------------|----------------------|
| Installing 450 points @ Rs. 23 | 1,305 | @ Rs. 21 1,190 |
| Installing Motors of 45 H.P. | 290 | 290 |
| | <hr/> 1,595 <hr/> | <hr/> 1,480 <hr/> |

NOTE :

The 1909 results are taken - not 1910 estimate - owing to exceptional work of 1910 being street lighting and U.R. subordinate quarters, which were undertaken instead of the normal work for the public.

The object of this Department being merely to do installations in order to make the sale of current possible (there being no wiring contractors as in England), prices are fixed to just cover expenses of the Dept., plus one half of general expenses - one half of the office and management's time being devoted to it. Hence in 1911 (under Government), general expenses being less, it would be possible to reduce the contract price to Rs. 21 per point.

COPY.

210

NAIROBI, R.R.A.,

25th June 1910.

Dear Bowring,

In enclosing draft estimates for year 1911 of Nairobi Electric concern on assumption that it is run by Government I would remark:-

1. You will note in Abstract B the value of plant, machinery, buildings, stocks on hand, &c., as it stands on the books will be £26,500 by end of 1910.

Stock being a floating quantity and always in course of increase and decrease due to its being issued and used on mains or Contract Department it is quite impossible to give a definite figure for it at that date.

I anticipate the figures will be £25,500 for plant, &c., and £1,000 stock at end of 1910, but naturally for the reason just mentioned cannot state that this will be the case. Therefore to avoid any question in the matter I have lumped them in together at £26,500, so that if by any chance on that date they prove to be less stock can be completed up to that figure or a cash adjustment made.

2. Sinking Fund: My idea is that a sinking fund of 4% on the capital value of the plant, &c., (£25,500) should be invested annually to form a fund for replacement of machinery when worn out. This at bank rate here on fixed deposit (L.S. 4%) will accumulate to £100 in 1917 (including interest), which is a very

much

much shorter period than the life of the plant, buildings, &c., including the wood frame when averaged. No sinking fund of course being required on the other \$24,500, which is in payment for the business and which under Government control has no depreciation, being presumably in perpetuity.

3. The purchase price of \$50,000 being acceptable to us in 5% Debentures at par will enable you to take over the concern without raising a penny in cash from home, and the concern will from the day you take it over more than pay its own way, working expenses, interest of debentures, and sinking fund.

I feel I cannot make you a fairer offer than that, and if therefore His Excellency finds himself, for any reason, unable to recommend its acceptance it would be only fair to me to tell me now to avoid further waste of time. If H.E. however recommends its acceptance I will hold the offer open till 1st December 1910 to give time for the necessary correspondence with the Home Government.

4. In case of its acceptance I presume you would wish to take over on the 1st April following, which could no doubt be arranged. In the event of its refusal I presume all information, papers, &c., on the subject will be returned to me, and no copy or estimate from same kept.

As far as I personally am concerned I don't mind what the Government knows about the Company. I have however to consider how my successors might look at it, and that being so, and the information being produced for a specific purpose, if that purpose is not attained the information cannot fairly be kept.

5. One point I must mention further, and that is

in Abstract X - the revenue from Uganda Railway subordinates' quarters. This is the anticipated outcome of a shauri now proceeding between the U.R. and ourselves. Naturally if that is not completed our immediate returns will not show so well, and an argument might be used that the value of the concern is not what I say it is. It is of course obvious that a hint dropped to the U.R. would delay or nullify the negotiations of months. As a business man I should not in the ordinary course have opened the whole question till my negotiations with them were complete, but in dealing with Government I know that if you are to have a fair time to consult the home people there was no time for delay. I have therefore as you see put myself in your hands in the matter, and I would add again that as far as I personally am concerned I feel quite content in doing so, but I have to mention it as I am, to a certain extent at least, acting on behalf of others besides myself.

I have explained this also to Mr Watts, as my ^{make it} even mentioning it might appear that I had doubts as to the 'playing the game' by you.

Yours sincerely,

R. O. BAYLON.

7th July 1910. 213

Dear Bowring,

The following may be of use to you in regard to Abstract X of my estimates :-

You will note the first figure is Average Sale April/May Rs. 2300. Now to the end of May we had 190 consumers of light connected, and they had 2126 lights (in 16 c.p. equivalents).

This is useful to you in two ways:

1. It shows we roughly get R.1 per 16 c.p. lamp revenue per month, and
2. As there are about 700 buildings in Nairobi, and we only had 190 of them connected, it gives the field for the immediate present.

i.e. Total 700 buildings

less 190 now connected

510

less 30 (being Govt. bungalows allowed for separately in Abstract X)

480

less 130 (U.R. subordinates do. do.)

350

less 30 (Govt do do.)

giving 320 buildings as field of operations.

Now an inspection of our books will show that in our 190 consumers all classes are fairly represented from in-shops, the 1 light in an Indian bazaar back room, to the best European shops, such as Cearns; and in private dwellings from the small bungalow with 3 lights, like Watson's, to the best ones such as Hiddell's with 26 lights.

Some of the 320 miscellaneous buildings at

present

present without light there should be no trouble in getting 90, even not counting Jeevanjee's new ones in course of building or projected.

As our 150 consumers have 2126 lights they average say 14 a piece. Thus, even if you only do fit 90 more, you get 990 more lights, which at the average return of just over Rs.1 per lamp per month gives you the Rs.1000 allowed for in the 3rd column (i.e. December 31st 1911). You will no doubt remember that I am allowing for the Contract Dept. putting in 850 as ~~tax~~ 1909.

But you will see that for this year I have not allowed for any increase of revenue from this class of building. As a matter of fact between now and the end of the year some private work will be done, - Probably the 150 points we are out in balancing the estimates one against the other.

Yours sincerely,

R. C. HAYLDON.

P.S.

The figure 700 is made up as follows :-

| | | |
|------------------------------|------------|--------------------------|
| Govt. Officials' bungalows | 55 | |
| " Subordinates' " | 31 | |
| U.R. do. " | 115 | Figures from Town Clerk. |
| Private residences and shops | <u>473</u> | |
| Total | <u>674</u> | |

By the end of year I think 700 can be taken fairly.

R.C.H.

COPY.

NAIROBI,

8th July 1910

Dear Bowring,

Herewith Mr Watts' notes. I have received the lists &c. from Mr Sandiford re the U.K. subordinates. They show an immediate demand for over Rs. 800 per month worth of current at once - i.e. applications are made by the subordinates to this amount. This is most satisfactory as they have not yet got light in any of their houses, and hence do not see its full advantages.

There will be no difficulty in getting the revenue I state under this head once it is in a few houses for them to see.

Mr Watts can tell you the difficulty in getting people to apply and make up their minds till the last moment, and until they see their friends with it and themselves without.

I will bring the lists when I come to see you next.

Yours sincerely,

R. C. BAYLON.

1946

You to your arrival
in this country

~~I have~~

I shall desire
in particular to be
furnished with fuller
information as to
irrigation projects, present
and future, ^{and} as to
any irrigation rights
which may already
have been granted
if there are any such,
and as to the effect
of such rights and
projects upon the
rights of the Comptancy
under their concession

Very truly
yours

REPORT OF THE COMMITTEE APPOINTED TO CONSIDER QUESTIONS RELATING TO THE CONCESSION OF THE NAIROBI ELECTRIC POWER AND LIGHTING COMPANY LIMITED

This concession is the grant of a monopoly of the supply of electricity for lighting and power purposes in the Nairobi district for the period of ten years from the 5th of April, 1906, and is renewable for a further period of fifteen years if the concessionaire carries out the terms of the agreement.

The Nairobi district, for the purposes of the concession, includes the township of Nairobi and the rest of the area comprised within a circle drawn with a radius of fifteen miles from the office of the Provincial Commissioner in the township. The concessionaire has the right to take power from the falls of four rivers in the neighbourhood of Nairobi, viz. the Ruera (and on the power obtained from this source proving insufficient), the Ruera, the Kamiti and the Nairobi Rivers. At present power is being taken only from the falls on the Ruera, which are capable of supplying about 1300 horse power.

The concession is a legacy from the Foreign Office. When the Colonial Office took over the administration of the East Africa Protectorate it might perhaps have been possible (but this is very doubtful) to annul the concession and compensate the holder, but it is quite certain that the Treasury would not have consented to provide funds to enable the Government to instal the light and power themselves. As a matter of fact, the concessionaire has provided sufficient electricity to light over 20 miles of streets in Nairobi and to supply a certain amount of power, with the result that the general community has benefited largely, while the concessionaire, who has sunk some £40,000 of capital, has only so far earned a very small percentage on the average on his outlay.

With the development of the Protectorate, settlers have taken up land close to and above the Ruera Falls, and in some cases are undertaking development for which irrigation will eventually be required. As the town of Nairobi increases, the demand for power from these falls will become greater and greater, with the result that the amount of water available for irrigation purposes will become smaller and smaller. Although the settlers, under the Crown Lands Ordinance of the Protectorate, have no legal right to the use of the water for irrigation purposes, it is clearly desirable to make every effort to reconcile their interests with those of the concessionaire.

As stated above, the concessionaire is at present operating on one of the rivers only, but the question will arise later of his taking power from the other three rivers, on which there are also settlers in a position similar to that occupied by the settlers on the Ruera. In the case of the Nairobi River, which has several affluents, the number of such settlers is very large. The difficulties of the position may thus be still further accentuated in the future.

Three courses appear to be open: (1) to allow matters to remain as they are; (2) to make arrangements for the expropriation of the concessionaire by the Nairobi Municipality in its best form of the Government; (3) to make a new agreement with the concessionaire.

With regard to (1), the power which is at present being produced at the Ruera Falls is about 1,200 horse power. The concessionaire is making the most of the power at his disposal on that river by erecting dams, but there can be little doubt that, in view of the probable increase of the township of Nairobi, he will soon reach the limit of the power which can be obtained from this source, and will have to consider the question of utilising the falls on the other three rivers. The Governor thinks that there is but little prospect of his establishing power stations on the other rivers, but there is nothing in the correspondence with Mr. Bayldon, and nothing transpired in the course of the Committee's interview with him, to support this opinion. The Protectorate Government could, under the concession, compel him to erect power stations on the other three rivers if the power developed by the existing station proved insufficient, but to do this would of course be to bring about the additional irrigation difficulties referred to above. It should be noted that, if the concessionaire is unable to supply adequate light and power from the sources at present at his disposal, the Government are apparently precluded by the terms

(7) Way leaves for Main.

It was agreed that this question would have to be settled by the local authorities in the light of any precedents which might exist in other Colonies.

(8) Customs.

It appears that, although apparatus and appliances used in connection with the generation and storage of electricity are exempt from import duty, this is not the case with electric cable or wire and the posts for carrying the same. The electrical adviser of the Board of Trade was unable to understand on what ground this distinction was made, as the electric cable, wire, and posts form an essential part of an electric installation, and cannot be used for other purposes, such as fencing. It was decided to be desirable to enquire of the local government on what basis the distinction was made.

(9) Tramways in Nairobi—Electrification of the Thika Tramway—Supply of Power to the Government Workshops in Nairobi—Supply of Electric Light to Quarters of Junior Officials.

In the discussion with Mr. Baylton at his meeting with the Committee it was made clear to him that the Government could give no guarantee on these points. He thereupon stated that he regarded some such guarantee as an indispensable preliminary to any new arrangements. He and Mr. Monkhouse (his engineering adviser) pointed out that a considerable amount of capital had already been sunk by the Company, which was only now beginning to obtain a satisfactory return from its outlay, and that it was therefore not desired to undertake any further capital expenditure at the present time. They could give no estimate of the cost of removing the power station to the Thika River, and they pointed out the possibility of its involving a very large expenditure. They did not regard the extension of the area in which the Company could operate and of the period of the concession as any adequate compensation for this additional outlay. Their general attitude was that they were quite satisfied with the present position; that it was the Government who desired them to move to the Thika River, and that the Government must therefore make it worth their while to do so.

With regard to tramways in Nairobi, the Company only asked for a concession for their construction if the Municipality itself is not prepared to start them within a reasonable time. Owing to the straggling nature of the township and the fact that the Company has a monopoly of electrical power for the period of its present concession there seems to be little or no prospect of the Municipality undertaking the work within a reasonable time. On the other hand, there will naturally be reluctance to add what is practically another monopoly to that which the Company already possesses.

With regard to the Thika tramway, it was explained to Mr. Baylton that a definite sum had been obtained from the Treasury for its construction on the understanding that a portion of the old rolling stock of the Uganda Railway would be used in its working, and that the adaptation of the line to electric working would probably involve considerable additional expense. The Director of Public Works, moreover, has expressed the opinion that the Thika tramway, with its frequent halts, presents conditions not favourable for removal from the class of more economical electric working.

With regard to the supply of power to Government workshops, the Director of Public Works has stated that it is not likely that the workshops could be run with electric power as cheaply as they are run at present. Mr. Baylton asked on what figures this opinion was based, and expressed his confidence that he could show a more economical method of working the shops by electricity. It might be well to ask the Governor to state in detail the grounds on which it is considered that the use of electric power would be more expensive than the present system.

With regard to the electric lighting of the quarters of junior officials, this appears to be a small matter, and probably some compromise could be arrived at with regard to it. But the Government would not undertake to make officials use electric light (for which they have to pay) against their will.

With regard to the three surplus points it should be noted that, if the Company's requests are granted, the Government will in effect surrender the right which it enjoys under the present concession of generating its own electric light and power at a station to do so. It is therefore very desirable to be consulted on all local

points. This was made quite clear to Mr. Baylton, who pressed, however, for as speedy a decision as possible, as the options which he has acquired in the neighbourhood of the Thika Falls will expire very shortly.

It will be seen that all the courses discussed above are surrounded by serious difficulties. On the whole, the least objectionable course would appear to be to allow the present arrangement to continue. The situation with regard to the falls above the Mucera Falls has not yet reached an acute stage, and it is possible that it may not do so for some time to come. In the meantime the Company will have received some return on their present capital expenditure, and will be more disposed to embark on further capital expenditure, and will be more disposed to take a very different view of the proposed move to the Thika River, and will realize that it is in their interests as well as in those of the Government. At present the task of negotiating with the Company is made very difficult by their attitude, which, as previously indicated, is that they are quite satisfied with the present state of things, and that it is not they who desire the move, but the Government, and that it is therefore for the Government to make it worth their while to go.

There seems to be a further advantage in allowing things to remain as they are so long as possible in the fact that the present concession will expire in about 20 years, and every year by which this period is diminished will make the Company's position more difficult to safeguard their future.

H. J. Baylton
R. P. Monkhouse
J. P. ...
J. P. ...
J. P. ...

Colonial Office
July 1904