

SESSIONAL PAPERPROGRESS REPORT ON £4m. CONTRACTOR
FINANCE ROADS PROJECT

28 JUL 1959

In 1958 Government invited proposals for a trunk road improvement scheme whereby a contractor would find his own finance for a major road programme and would accept deferred payments from the Government for the work done. Contractors were asked to put forward their proposals, and by the 16th October, 1958 the Government was able to inform the Legislative Council that proposals made by Messrs. Mowlem Construction Company Limited and Raymond International (U.K.) Limited had been accepted in principle. The capital required would be found from an external sterling source and would therefore be new money from outside the Colony, raised on terms not involving a direct or indirect acceptance of any exchange risk. The concluding of a final contract was subject to agreement with the Government as to rates and the general conditions of such a contract. The programme and the type of road to be constructed were to be matters primarily for the Road Authority.

2. The proposals involved each Company in carrying out works to a value of between £2m. and £2 $\frac{1}{4}$ m. during the years 1959/62 at a rate of between approximately £400,000 and £650,000 per annum and at prices to be agreed with the Ministry of Works. Liability would be accepted against monthly certificates and be met approximately three to four years in arrears, beginning in September, 1962 for work done in 1959. Interest would accrue at 6% or if the Bank rate were to exceed this figure, at 1% above Bank rate. The terms on which finance has been obtained included provision for several earlier repayments in 1959/60, 1960/61 and 1961/62. These payments would be deducted from the total value of the certificates when these began to be paid from September, 1962 onwards. To assist the Government in making these earlier repayments two loans to the Government have been arranged by the United Africa Company of sums amounting to £100,000. These loans will be paid in instalments in 1959 and 1960 and repayment will be made in 1961 and 1962. The amount payable to each Company will be reduced by the amount of the loan payments. Interest will be paid on the loans at 6% and there will be a corresponding reduction in the amount of interest due to the Companies.

3. Following the Minister's announcement, intensive work was undertaken on the planning of the project requiring detailed surveys and investigations in which Government was assisted by a firm of Consultants well experienced in road works in Africa, Messrs. Van Niekerk, Kleyn & Edwards. Negotiations with the two Companies as to rates began as soon as planning made it possible to define the basic units of work and to estimate approximate quantities, and from their nature required some months for completion. During the course of negotiations it became apparent that the work could be carried out more cheaply if the two Contractors merged their organisations, and this was agreed. The Government acknowledges the co-operation of the Contractors in agreeing to this change and generally in the conduct of negotiations. A contract was concluded and signed on June 1st, 1959.

4. Prices in the contract are expressed in unit rates for materials and for particular works operations broken down into very great detail. The contract also provides for re-negotiation of rates at the end of approximately one year and adjustment of unit

prices where experience has shown they are operating unfairly to either party. Failing agreement on adjustments, the parties will accept the decision of an independent arbitrator. Subsequent to this re-negotiation, rates will be subject to variation under a 'rise and fall' clause of conventional form tied to movements in the price of materials and wages. Such a condition is indispensable to a project extending over a period of years.

5. The Road Authority has been closely associated with the course of negotiations and the terms of the final contract. The actual roads to be made or improved will, as the Legislative Council was previously informed, be chosen by the Road Authority, but are likely to be those mentioned in various statements, that is -

Makuyu/Nyeri
Makuyu/Fort Hall
Mariakani/Mackinnon Road
Mau Summit/Kericho/Kisumu
Mau Summit/Eldoret/Kitale.

Order of work will be determined primarily by questions of costs and engineering considerations, but work has started on the Sagana-Nyeri Road near Karatina.

6. To express the cost of work in terms of so much per mile will be misleading, as the actual works will vary between wide margins of reconstruction and improvement. Some routes will be entirely realigned and work will consist of total construction of a new road. Other routes will be improved on their alignments before bituminisation, while others will be bitumenised on their present alignment and foundations. Costs will also vary from locality to locality according to the nature of the terrain and the availability of materials, particularly the latter. Overall the cost is likely to average out at approximately £15,000 per mile. Government must emphasise that this is a total average between wide limits for widely different operations. The Contractors have undertaken to proceed at a pace which will work out at £80,000 per month, a very fast rate of road work by the standards of Africa.

7. The Government acknowledges the help and co-operation of the Contractors in the successful termination of these intrinsically difficult and involved negotiations.

C.B.M.

Ministry of Works,
NAIROBI

28th July, 1959.