

CONTRACTOR FINANCE ROAD PROJECT.

In Sessional Paper No. 8 of 1959 a report was made to Council of the acceptance of a contract between the Government and the Mowlem Construction Company Ltd, and Raymond International (U.K.) Ltd., for a contractor-financed programme of main trunk road construction and improvements to a value of between £4 and £4½ million. Sessional Paper No.11 of 1960 outlined the results of the re-negotiation of the unit rates after completion of works to the value of approximately £1 million, in accordance with the terms of the contract, and reported that the revision of the rates would put the cost of the project at between £4.3 million and £4.5 million. The Sessional Paper also listed the roads which it was hoped to bitumenise under the project and reported progress of the works up to that time (December, 1960).

2. Since that date the following roads have been completed:-

MILES.

(a) MAKUYU-FORT HALL-NYERI.

The contractor-finance Companies executed all earthworks, bridges, base and bitumen works.

57

Road opened in April, 1961.

(b) MAU SUMMIT-KERICHO.

Earthworks previously executed by Ministry of Works. Base and bitumen work executed by contractor-finance Companies.

30½

Road opened in February, 1962.

(c) MAU SUMMIT-ELDORET.

Earthworks previously executed by Ministry of Works. Base and bitumen work executed by contractor-finance Companies.

60½

Road opened in August, 1962.

TOTAL WORKS COMPLETED

(September, 1962)

148

The present position in regard to the other works is as follows:-

MILES.

(a) KERICHO-AWASI.

The earthworks carried out under a separate contract have been completed. The contractor-finance Companies have completed the base course and the bitumen work is well under way.

(b) AWASI-KISUMU.

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The contractor-finance Companies have started on the earthworks and bridges and will then proceed with the base and bitumen works.

(c) KISUMU-KAKAMEGA.

24½

The earthworks and bridging, carried out under a separate contract, have been completed. The contractor-finance Companies have to carry out the base and bitumen works, and have already made a start.

Some earthworks, the base and bitumen work are to be executed by the contractor-finance Companies and the work is well under way.

(e) ELDORET-LIESERU.

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All the works are to be executed by the contractor-finance Companies, and the work is well under way.

TOTAL:

104½

3. As explained in Sessional Paper No. 11 of 1960, prices for the work in the Contract are expressed on the basis of unit rates for materials and works operations and the Contract also includes the "Rise and Fall Clause", normal in such Contracts, to allow for movements in wages and the price of certain materials - primarily fuel, lubricants, cement and lime. Under this clause there have been increases in wages and housing, gas, oil and petrol. The 1961 to 1963 Budgets have imposed increases in Customs Duty and Consumption Tax amounting to 68 cents a gallon on petrol and  $\frac{1}{65}$  a gallon on Diesel fuel. There have been other increases as well and also decreases in some items but the increases have been substantially greater than the decreases. On the construction side, unforeseen factors necessitated additional earthworks, particularly on the Makuyu-Fort Hall-Nyeri Road and additional culverting and bridging especially in the Nyanza Province, in the light of the recent extensive flooding. In an attempt to counteract the rise in the cost of the project due to these factors, reductions in specifications and design have been made, resulting in some savings on the estimated cost of certain sections of roads, but such reductions have in some cases resulted in partial failures, particularly on the Mau Summit-Kericho Road, which have necessitated a measure of return to the original design standard in respect of base and bitumen.

4. For the reasons set out in paragraph 3, the precise mileage of roads that will be improved or constructed and the precise cost cannot be ascertained until the project has been completed and all works carried out by the contractors have been measured and certified. However, on completion of each stage of the project the actual cost of the works completed are extracted and an estimate made of future prospects. The results of the review carried out when the Mau Summit-Kericho Road was completed showed that a further sum of approximately £300,000 would be required if the scheme as reported in Sessional Paper No. 11 is to be completed. The two contractors have each offered, and the Government has accepted, additional finance of £150,000 at the same rates of interest as for the original scheme. The total value of the project is accordingly increased from £4.5 to £ 4.8 million. In order to ease the burden of repayment the contractors have agreed that this additional sum, plus £100,000 of the capital repayment due to be repaid in September 1965, be repaid in September, 1966.

5. For the reasons already stated the figure of £300,000 additional finance required can be no more than an estimate, but in the light of the experience gained on the roads which have been completed, it is thought to be reasonably accurate provided there is no further substantial increase in wages and the costs of materials, fuels and lubricants. If it is found that the work can be completed for a figure of less than £300,000, the Government will not be required to take up the full amount.

6. As explained in Sessional Paper No. 8 of 1958/59, it is not possible to express the cost of the work in terms of so much per mile, as the actual works vary between wide margins of construction of new roads and in other sections improvement of existing roads. Furthermore, the mileage of roads constructed or improved and the precise cost of the various sections can only be determined when the whole scheme has been completed and all the works carried out by the contractors have been measured and certified and the overheads and site management costs apportioned over the individual projects. It will then be possible to make a final review of the whole scheme and compare the costs with similar projects carried out elsewhere in Africa. It must be

emphasised, however, that such comparisons can only be made on a broad basis because it is unlikely that there are other identical road works with exactly the same specifications, design and other constructional conditions.

25th October, 1962.

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