

LEGISLATIVE COUNCIL

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COLONY AND PROTECTORATE OF KENYA

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The Sale of the Nyeri Electricity
Undertaking

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The Sale of the Nyeri Electricity Undertaking

A power station at Sagana Falls was constructed in 1942 by the Public Works Department to provide electricity for the war-time dried vegetable factory at Karatina supplying the Forces. Plant originally imported to Kenya in 1907 was installed. When the dried vegetable factory was closed in 1947, it was decided to use the power station to provide a public supply. The Postmaster-General became the licensee. The area of supply covers some 170 square miles and includes the townships of Nyeri, Karatina and Kiganjo, the Mweiga area and large parts of the Aguthi, Thegenge and Tetu divisions of the Kikuyu land unit. The Director of Trade and Supplies succeeded the Postmaster-General as licensee on the 1st January, 1957.

2. Experience has proved that the operation of a small and isolated electricity undertaking of this kind presents serious problems in the shape of management, staffing, the holding of spares and administration. Such difficulties militate against profitable and efficient operation. The Government has, therefore, had an independent valuation of the undertaking made by Messrs. Kennedy and Donkin (East Africa), Consulting Engineers, with a view to determining its present day value. The Government has accepted the Report of the Consultants and now proposes to sell the assets of the Undertaking to the East African Power and Lighting Co. Ltd. in accordance with the valuation of the Consultants, which amounted to £223,134 as at the 31st December, 1958. This valuation will be adjusted to take into account further capital improvements made and normal rates of depreciation to be charged in respect of the year 1959. The valuation of the assets as at the 31st December, 1959, will be £223,477.

3. The above valuation takes into account depreciation of the assets in accordance with the Electric Power Ordinance. It makes provision for the writing-off of obsolete plant which has been approved by the Governor-in-Council of Ministers in accordance with the provisions of the Electric Power Ordinance. It also takes into account a modest recommended reduction in capital values of plant and other assets. The Undertaking had to continue to fulfil its statutory obligations to supply electricity throughout the Emergency in one of the areas most affected by unrest. Many extraordinary security measures had to be taken and construction and maintenance work, some of it necessitated by hostile action, was carried out in the most adverse conditions. The Consultants consider that these factors contributed to certain excess charges to the Capital Account which must be adjusted if an equitable value for the assets is to be arrived at.

4. The price to be paid by the East African Power and Lighting Co. Ltd. will take the form of 150,000 Ordinary Shares of Sh. 20 nominal value and 50,000 7 per cent Preference Shares of Sh. 20 nominal value in the East African Power and Lighting Co. Ltd., all at par, valued at £207,000 on a three-month average of market prices, and the remainder in cash. In addition, it will purchase stores taken over at a valuation and will act as agent for debtors' accounts. The Government will retain its investments and cash. The total value of the offer to the Government is estimated at £251,204.

5. The East African Power and Lighting Co. Ltd. has undertaken, if the transfer is completed, to submit for the approval of the Governor-in-Council, in terms of section 146A of the Electric Power Ordinance, By-laws for the Nyeri Undertaking identical, as far as possible, with those now approved in respect of the Nanyuki Undertaking. These By-laws contain, *inter alia*, maximum charges for electricity under all tariffs applied in the area, which maxima cannot be raised without public advertisement and further approval by the Governor-in-Council.

29th December, 1959.