COLONY AND PROTECTORATE OF KENYA

SESSIONAL PAPER NO. 3 of 1962./1963.

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The Construction of the Meat Canning Plant.

Between 1946 and 1951 a number of proposals were considered by the Government for the construction of a meat Canning Plant at Athi River and negotiations to this end were conducted with the Kenya Meat Commission. No decision, however, was reached during this period.

2. In 1952 in order to take advantage of the presence of the contractors at Athi River who were then nearing completion of the Kenya Meat Commission Meat Factory, the Government decided to build and equip a Canning Factory which would remain the property of the Government, and would be operated by the Commission on terms to be negotiated. This factory was completed in 1956 at a cost of approximately £127,800.

3. In the meantime it had become apparent that the number of cattle required to keep the plant operating economically was not likely immediately to be forthcoming, and it was decided that the factory would for the time be placed on a care and maintenance basis. By 1957, however, the supply position had improved to such an extent as to enable the Plant to be brought into operation.

The 1958 - 1960 Agreement.

4. In April, 1958, an agreement was concluded with the Commission whereby the Commission would operate the plant on a trial basis for a period of three years as from the 1st January, 1958. The main provision of the agreement was that, if in respect of the period of three years the Commission made a profit from operating the Canning Factory, it would pay to the Government at the end of the third year one half of such profits by way of rent for the premises. Furthermore, at the end of the period the Government would refund to the Commission, without interest, the cost of the purchase and installation of any additional buildings or plant bought and installed with the Government's consent.

5. This agreement expired on the 31st December, 1960, and the Government's share of the profits, amounting after the deduction of the cost of capital works completed during the period to £96,836 has been paid by the Commission to the Government account.

New Agreement for 1961.

6. Thereafter negotiations proceeded with the Commission regarding the terms on which the Commission should continue to operate the plant. It was eventually agreed with the Commission that, for the year 1961, the general principles of the previous agreement should continue, while a new agreement would be negotiated to have effect from the 1st January, 1962.

7. The Commission represented, however, that payment to the Government of 50% of the profits for 1961 would seriously embarrass the Commission financially; particularly since funds to finance its development programme for 1962, which includes the replacement of African housing which is urgently necessary, could not be obtained from any source other than the Commission's own resources even under Government guarantee.

8. In these circumstances it was agreed with the Commission that for the year 1961 the Government's share of profits should be reduced from 50% to 25%. After deducting the cost of capital development carried out in 1961, the Government's share for the year amounts to £51,018, subject to audit.

New Agreement 1962 - 1966.

9. In the subsequent negotiations for an agreement to run from 1st January, 1962, the need has been borne in mind to place the Commission in a position from which it will be able to negotiate loans on the security of its own assets. As already stated, through its inability to secure funds, the Commission is at present prevented from carrying out urgently required improvements and from expanding development in order more effectively to perform its functions as a development agency of the Government.

10. In these circumstances negotiations have proceeded between the Commission and the Ministers for Finance and Agriculture on the basis of vesting the Canning Factory in the Commission, while securing a reasonable return to the Government on its capital investment.

11. To effect this the Government proposes to enter into an agreement with the Commission whereby as consideration for the vesting of the property the Commission will -

(1) pay interest annually to the Government at the rate of $6\frac{1}{2}\%$ on the depreciated value of the Canning Factory as at 1st January, 1962, such value to be agreed by negotiation and

(2) pay annually to the Government a cess of Sh. 1/- on each case of canned corned beef produced.

It is proposed that the above rates of interest and cess will be reviewed after a period of five years.

12. The effect of such an agreement will be that the Canning Factory will become an asset on the security of which the Commission will be in a position to negotiate independently for loans in the open market.

Further Provision for Capital Development.

13. Consideration has also been given to the question of further means of providing the capital requirements of the Commission, having particular regard not only to the need for development but to the housing programme planned by the Commission as the result of the recommendations of the recent Commission of Enquiry into the administration and staff relations of the Commission.

14. In May, 1959, the Government approved the principle that 70% of the surpluses of the Commission should be attributed to the producers and 30% to the Kenya Meat Commission. It was agreed that the latter should be regarded as public money to be used for the development of the industry, and that the percentages should be reviewed by the Minister for Agriculture every five years. On this basis the Commission's share of the surplus for 1961 would produce no more than £47,621 to meet a programme of capital expenditure for 1962 amounting to approximately £150,000.

15. Particularly in the light of the Commission's present inability to secure the necessary finance from other sources the Government considers that a larger contribution towards capital expenditure must be found from within the industry itself.

16. Following on discussions between the Ministers of Finance and Agriculture with the Commission, it is now proposed that the distribution of distributable surpluses should in future be on the basis of not less than 50% for the use of the Commission who will also be at liberty to exceed this proportion and use a greater amount if they so wish, and with the consent of the Minister. In addition the Commission has undertaken to use not less than 3/5 ths of the 50% appropriated to its own use for capital development in any one year.

MINISTRY OF AGRICULTURE AND
ANIMAL HUSBANDRY.
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