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COLONY AND PROTECTORATE OF KENYA

SESSIONAL PAPER
NO. 4 OF 1961

M. A. BAG & CORDAGE CO. LTD.

It is of great importance to the agricultural industry of the Colony that a stable supply of produce bags should be available at reasonable prices. With this need in view, the Government set out in Sessional Paper No.91 of 1956/7 proposals for an agreement with the East African Bag & Cordage Co. Ltd.

2. This Sessional Paper was laid on the table of Legislative Council and the following resolution was approved by Legislative Council on 18th April 1957:

" that this Council approves the arrangements with respect to the East African Bag & Cordage Co. Ltd. set forth in Sessional Paper No.91 for the period up to 31st March 1958"

3. The substance of the agreement was as follows:

- (i) for one year at a time and subject to the approval of the Legislative Council, the Jute Control would enter into an agreement with the Company for the purchase from the Company of that part of the Company's production of bags which it was impossible to dispose of elsewhere up to the limits of the Control's requirements of any particular type of bag. The price to be paid would be based on production costs;
- (ii) the maximum period during which annual renewal of any agreement entered into would be made would be one of five years. Any agreement entered into would be subject to annual revision, as well as to annual renewal within the period of the five years referred to;
- (iii) in return for the arrangements envisaged in paragraphs (i) and (ii) above, the Company should
 - (a) refund to the Jute Control at the end of each financial year that proportion of the profit as computed for income tax purposes, derived from the overall activities of the Company after payment of income tax, equal to the proportion of the Company's sales to Jute Control to the total sales of the Company;
 - (b) at all times make the Company's accounts available for inspection by an authorised agent of the Government;
 - (c) sell containers to the Control at prices which do not include distributors' Commission.

4. As required by the Sessional Paper No.91, the agreement has been renewed annually, the last occasion being a resolution passed by Legislative Council on the 23rd March 1960. Although the intention of Sessional Paper No.91 was that the agreement should come into effect in 1956, it was not approved by Legislative Council until 18th April 1957. In these circumstances, therefore, the existing agreement can properly be extended until 31st March 1962.

5. The arrangements have been successful from the point of view of Government in that a stable supply of good quality bags has been available and in that, by long term planning of purchases, the Company is able to even out major fluctuations in the price of raw materials and provide bags, on the whole, at a lower price than would otherwise have obtained. The arrangement has had the further beneficial effect of enabling the Company to expand and develop export markets. It buys sisal flume and tow which would otherwise not find a market and is, therefore, of considerable value to the sisal industry.

6. The East African Bag & Cordage has, however, represented that the existing agreement does not give adequate scope for the maintenance and modernisation of capital assets.

7. This has been carefully considered by the Government and the following modifications to the arrangements set forth in the Sessional Paper No.91 of 1956/7 are therefore proposed:

- (a) Jute Control shall take its full requirements of the Company's products for the year from the Company;
- (b) the Company shall undertake to make available to the Jute Control such quantity of bags as the Controller requires, the price to be paid being based on production costs as hitherto;
- (c) the Jute Controller shall declare on 1st June 1961 his requirements from the Company for the season commencing on 1st August 1961;
- (d) subject to (e) below the Company shall be permitted to deduct from the profits as calculated for income tax purposes an amount equal to 6% of the capital employed in the business for the year as certified by the auditors. After such deduction the remaining profits shall be divided in accordance with the provisions of Sessional Paper No.91 of 1956/7;
- (e) the 6% deduction shall be conditional upon the Company supplying a statement

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as to the extent to which the Company is committed in respect of further capital expenditure and upon this statement being acceptable to the Government;

- (f) the Company shall continue to make its accounts available at all time for inspection by an authorised agent of the Government.

8. The Minister for Agriculture, Animal Husbandry and Water Resources proposes to introduce a resolution in the Legislative Council seeking renewal of the agreement up to 31st March 1962 with the foregoing modifications.

Nairobi

13th June, 1961