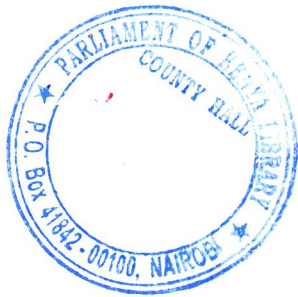


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REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

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ELEVENTH PARLIAMENT – FIFTH SESSION  
THE DEPARTMENTAL COMMITTEE ON FINANCE, PLANNING & TRADE

REPORT ON THE CONSIDERATION OF A PUBLIC PETITION ON PAYMENT OF  
TERMINAL DUES TO THE FORMER EMPLOYEES OF THE PAN PAPER COMPANY LTD BY  
HON. PATRICK WANGAMATI, MP

DIRECTORATE OF COMMITTEE SERVICES  
CLERKS CHAMBERS  
PARLIAMENT BUILDINGS  
NAIROBI

FEBRUARY, 2017



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## LIST OF ABBREVIATIONS

MOIED	-	Ministry of Industrialization and Enterprise Development
LTL	-	Long term Lenders
STL	-	Short Term Lenders
NSSF	-	National Social Security Fund
MOA	-	Memorandum of Understanding

## **CHAIRPERSON'S FOREWORD**

The Public Petition on the payment of terminal dues to the former employees of the Pan Paper Mills Company Limited was presented to the National Assembly by the Hon. Patrick Wangamati, MP pursuant to Standing Order 225(2) and the Petition to Parliament (Procedure) Act, 2012. The petition dated 1<sup>st</sup> December, 2015 prays "that the National Assembly:

- i) Recommends payment of the final dues to all the former employees;
- ii) Ensure that the petitioners plight is addressed; and
- iii) Makes any other order and/or direction that it deems fit in the circumstance of the case.

In considering the petition, the Committee invited the Hon. Patrick Wangamati, MP. Who presented the petition on behalf of the petitioners. The Committee also received a written submission from the State Department for Investment and Industry. The views of the petitioner and those of the State Department for Investment and Industry are incorporated in this report.

The Committee wishes to thank the Offices of the Speaker and the Clerk of the National Assembly for the support extended to it in the execution of its mandate.

I take this opportunity to thank all the Members of the Committee for their patience, sacrifice, endurance and hard work during the long sitting hours under tight schedules which enabled us to complete the tasks within the stipulated period.

The Committee wishes to record its appreciation for the services rendered by the staff of the National Assembly attached to the Committee. Their efforts made the work of the Committee and the production of this Report possible.

Finally, it is now my pleasant duty, on behalf of the Departmental Committee on Finance, Planning & Trade to present this report to the House pursuant to the provisions of Standing Order 227 (2).

**Hon. Benjamin Langat, CBS, M.P.**

## EXECUTIVE SUMMARY

This report contains the Committee's proceedings during the hearing of the Public Petition on the payment of terminal dues to the former employees of the Pan Paper Mills Company Limited. The petition was presented to the National Assembly by the Hon. Patrick Wangamati, MP and conveyed to the House by the Speaker of the National Assembly and committed to the Departmental Committee on Finance, Planning & Trade. While considering the petition, the Committee noted the following:

1. Since the collapse the Pan Paper Mills Company Ltd, former employees have not been paid their dues as per section 66 of the employment Act, 2012.
2. The Ministry of Industrialization had no proper records of all the former employees working for the Panpaper Mills Company limited. In the absence of an authentic record, it would make their payment very difficult.
3. In June 2016, Pan Paper Mills Company Ltd was sold to Tarlochan Limited, a company owned by the Rai group, for Kshs 900 million. The investor would be expected to inject more than kshs 10 billion into the company over and above the purchase price over the next five years.

Securing titles for the factory including areas set aside for expansion, approval of the sale transaction by the Competition Authority of Kenya and assignment of leases to the buyer had already been done. The first line of the factory will be opened on 15<sup>th</sup> December 2016 while the other lines will follow thereafter.

Based on the above observations, the Committee recommends that the former employees of Panpaper Limited be paid their dues in accordance with Section 66 of the Employment Act 2012 and other related laws.

## 1.1 MANDATE OF THE COMMITTEE

The Departmental Committee on Finance, Planning & Trade is one of the twelve Departmental Committees of the National Assembly established under SO 216 and mandated to:-

- (a) investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;
- (b) study the programme and policy objectives of Ministries and departments and the effectiveness of the implementation;
- (c) study and review all legislation referred to it;
- (d) study, assess and analyse the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;
- (e) investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary and as may be referred to them by the House;
- (f) vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (*Committee on Appointments*); and
- (g) make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.

## 1.2 COMMITTEE MEMBERSHIP

The committee comprises of the following members:-

<b>Chairperson</b>	The Hon. Benjamin Langat, MP
<b>Vice Chairperson</b>	The Hon. Nelson Gaichuhie, MP
	The Hon. Dr. Oburu Oginga, MP
	The Hon. Jimmy Nuru Angwenyi, MP
	The Hon. Eng. Shadrack Manga, MP
	The Hon. Ahmed Shakeel Shabbir, MP
	The Hon. Sammy Koech, MP
	The Hon. Sammy Mwaita, MP
	The Hon. Tiras N. Ngahu, MP
	The Hon. Abdikadir Ore Ahmed, MP
	The Hon. Abdullswamad Sheriff, MP
	The Hon. Abdul Rahim Dawood, MP
	The Hon. Alfred W. Sambu, MP
	The Hon. Anyanga Andrew Toboso, MP
	The Hon. Daniel E. Nanok, MP
	The Hon. Dennis Waweru, MP
	The Hon. Joash Olum, MP
	The Hon. Iringo Cyprian Kubai, MP
	The Hon. Jones M Mlolwa, MP
	The Hon. Joseph Limo, MP
	The Hon. Kirwa Stephen Bitok, MP
	The Hon. Lati Lelelit, MP
	The Hon. Mary Emase, MP
	The Hon. Ogendo Rose Nyamunga, MP
	The Hon. Patrick Makau King'ola, MP
	The Hon. Ronald Tonui, MP
	The Hon. Sakaja Johnson, MP
	The Hon. Sakwa John Bunyasi, MP
	The Hon. Sumra Irshadali, MP

### 1.3 COMMITTEE SECRETARIAT

First Clerk Assistant	Evans Oanda
Third Clerk Assistant	Nicodemus Maluki
Third Clerk Assistant	Fredrick Otieno
Legal Counsel II	Emma Essendi
Research Officer III	Erick Ososi
Research Officer III	Sharon Rotino

#### 1.4 RECOMMENDATION

Having considered the petition, the Committee recommends as follows, that:

- i. The Government of Kenya, through the Ministry of Industrialization, Investment & Trade in conjunction with the National Treasury expedites compilation of an authentic list of all the former employees of the Panpaper Mills Company Limited within the next three months after the tabling of this report.
- ii. The Government of Kenya, through the Ministry of Industrialization, Investment & Trade and the National Treasury computes the final dues of the former employees of PanPaper Mills Company limited with a view to paying them as provided for under Section 66 of the employment Act 2012 and other related legislations.
- iii. The Government of Kenya, through the National Treasury, avails funds within the 2017/18 financial year for payment of terminal dues to the former employees of the pan paper Mills Company limited

## 2.0 INTRODUCTION

### 2.1 Background Information

Article 119(1) of the Constitution provides that every person has a right to petition Parliament to consider any matter within its authority, including enacting, amending or repealing any legislation. This Particular provision is operationalized by the Petitions to Parliament (Procedure) Act, 2012 and Standing Orders 219 and 220.

The Petition on the payment of terminal dues to the former employees of the Pan Paper Mills Company Ltd was presented to the House by the Hon. Patrick Wangamati, MP on 1<sup>st</sup> December, 2015 pursuant to Standing Order No. 225 (2)(a). In accordance with Standing Order 227, the petition was referred to the Departmental Committee on Finance, Planning & Trade for consideration and preparation of a report.

### 2.2 The Petition

The petitioners wished to draw the attention of the House to the following:-

- i. **THAT**, Pan Paper Mills Company Limited was established in 1974, as a joint venture between Orient Paper and Industries (part of India's Birla Group), the Kenya Government and the World Bank's International Finance Corporation;
- ii. **THAT**, Pan Paper Mills Company Limited production capacity was one hundred and twenty thousand (120,000) tonnes of paper a year at its mill in Webuye and created employment to more than thirty thousand (30,000) people directly and indirectly in Western Kenya;
- iii. **THAT**, the Mill was placed under receivership in the year 2009 following mismanagement and misappropriation of the company's resources;
- iv. **THAT**, due to the receivership all the employees were rendered jobless and are living in abject poverty;
- v. **THAT**, the former employees have not been paid their terminal dues to-date;
- vi. **THAT**, multiple follow-ups by the former employees have not received any redress to date;

5	East African Development Bank	3.6%
6	Development Bank of Kenya	1.7%
7	Barclays Bank Trust Investment Services	1.1%

The Taskforce, chaired by the Ministry of Finance then, immediately embarked on working on a turnaround strategy for the company with PPM's top management. Arising from the consultative discussions, the Ministry of Forestry and Wildlife identified land for the company to harvest wood, land to grow trees for future requirements of wood and wood fuel to cut on the high costs of energy, and had also embarked on preparing the Operating License for the company.

The Ministry of Finance, on its part, had started working on the amount of royalties to be charged on wood which the Taskforce and PPM had agreed to have it pegged at Kshs. 700 per M<sup>3</sup> of wood. Out of this, Kshs 210 per M<sup>3</sup> was to be paid upfront and Kshs 490 per M<sup>3</sup> of wood to be capitalized as equity for a period of three years, to allow the company's return to profitability.

The Government further advanced the company Kshs 140 million (one hundred and forty million) as part of the additional equity required from the main shareholders (Orient Paper Industries Limited (OPIL) and the Government of Kenya) as agreed during the discussions, to revamp the cash flow base of the company.

### **C. Closure of the Company**

However, Kenya Power and Lighting Company (KPLC) abruptly disconnected power at the factory on 30<sup>th</sup> January 2009 when negotiations between the two parties had reached a very advanced stage. This culminated in the closure of the company and changed the direction of the discussions and the Taskforce was, therefore, compelled to move away from supporting the company to return to profitability, to addressing itself to the causes leading to its closure with a view to getting it re-opened at the earliest possible time. It is at this point in time that PPM management decided to abandon the factory and returned to India in early March 2009 without notifying the Government Taskforce. The key issues that were of concern to both parties at the time were:

- 1) Operating costs that were deemed to be high;

- 2) The long term Operating License;
- 3) Irregular supply of wood by the Kenya Forestry Service;
- 4) Lack of a long term Felling Plan to allow the company plan its activities ahead of time;
- 5) Weak governance in the management of the company;
- 6) Increase in royalties charged on wood; and
- 7) Threat posed by cheap paper and paper products imported into the country.

#### **D. Cabinet directive**

The Cabinet, during its meeting of 13<sup>th</sup> November, 2008, deliberated on the presentations made in the Cabinet Memo that was jointly prepared by the Ministry of Finance, Ministry of Forestry and Wildlife and the Ministry of Industrialization, with regard to the poor performance of Pan Paper Mills, approved the proposed Rescue Strategy and directed that:

- (i) Ministry of Forestry and Wildlife to facilitate the company by:
  - Reducing wood royalties from Kshs 1200 to Kshs. 700 per M<sup>3</sup>;
  - Issuing a long term Operating License;
  - Allocating them forest area to harvest at least 540,000 M<sup>3</sup> of wood annually;
  - Concession land to PPM for biomass development to meet its energy and raw material requirements; and
  - Develop a pre-determined formula for charging royalties to enhance transparency and predictability of the industry's stakeholders.
- (ii) Ministry of Finance to:
  - Provide additional equity of Kshs 86.2 million;
  - Convert royalty arrears of Kshs 440 million payable to the Government as at June, 2008, into equity;
  - Capitalize Kshs 490 per M<sup>3</sup> , being 70% of royalties chargeable for the next four years, to allow the company rise to profitability; and
  - Support PPM to obtain a loan of Kshs 375 million to fund the company's cash shortfall.

(iii) Ministry of Finance & Ministry of Industrialization to:

Oversee the implementation of PPM management restructuring and technological innovation that will ensure its profitability.

#### **E. The Company's debt as at the time of closure**

##### Long Term Lenders

Organization	Amount (Kshs'000)
IFC	2,560,140
PTA Bank	682,034
EAD Bank	317,352
KCB	112,148
Deutsche Bank	1,898,873
Dev Bank of Kenya	62,915
Proparco	380,531
<b>Sub total</b>	<b>6,013,993</b>

##### Short Term Lenders

KCB	689.2
Barclays Bank	331.9
Bank of Baroda	200.9
Eco Bank	47.5
Development Bank of Kenya	67.1
<b>Sub total</b>	<b>1,265,400</b>

##### Subordinated loans (unsecured creditors)

IFC	212,528
OPIL	610,916
<b>Sub total</b>	<b>823,444</b>
<b>Total debt owed</b>	<b>8,102,837</b>

IFC and Proparco have since written off their debt in full leaving the balance of **long term lenders debt at Kshs 3.08 billion**. This has reduced the **total outstanding debt from Kshs 8,102,837 to approximately Kshs 5.2 billion**.

#### **The unsecured creditors**

The total debt owed does not take into account money owed to the Government in terms of unpaid royalties, and key suppliers such as Kobil, and KPLC as follows:-

Royalties as at 30 <sup>th</sup> June, 2008	Kshs 440 million
Kobil Limited	Kshs 537 million
KPLC	Kshs 208 million

**Subtotal****KSHS. 1.185 Billion**

Negotiations with KOBIL and KPLC towards repayment of their debts are yet to be concluded. The understanding that had been created at the original stages was that repayment of their debts will be staggered over a period of time once the company becomes operational. It was further agreed that all fresh supplies will be settled as they fall due.

**F. Efforts made towards revival of Pan Paper since closure of the company**

1. The Ministry of Industrialization formed a technical team, which included Ministry staff that were seconded to PPM (E.A) Ltd and operated the firm from September 2011 to May 2012.

During that period, the firm produced paper but this could not be sold due to the legal issues with the Short Term Lenders (STLs). The STLs, at the time, were controlling all the floating assets including the factory's bank account making it difficult to have financial transactions.

2. However, the factory had been idle for long resulting into frequent breakdowns of the machines and surging power bills. This, coupled with delays in acquiring inputs due to the stringent Government Procurement requirements caused frequent stoppages of the factory.

In view of these challenges, it became apparent that to operate the factory, there was need to resolve the legal challenges caused by the STLs.

3. The Ministry then, in consultations with the Long Term Lenders (LTLs), engaged with the STLs for the Government to have a legal entry by assuming the position of the STLs.

This resulted into the Government negotiating with the STLs and managing to discount their claim of Kshs. 1.7 billion to Kshs. 400 million. The resulting claim of Kshs. 400 million was settled in May 2012.

However, the Government still had a legal technicality as the LTLs security was on the fixed assets, including the machines, hence there was need to reach an agreement with them to operate the equipment.

4. In May 2012, the Government appointed a Receiver Manager, who was the same person that had been appointed by the STLs. The Receiver Manager conducted a complete technical evaluation of the plant and concluded that to efficiently run the factory; an additional Kshs. 3 billion was required.

The LTLs were categorically unwilling to put more money for the revival of PPM (E.A) Ltd leaving the only option as sale of assets.

5. The Government, together with the LTLs held several meetings and agreed as follows; That:
  - (i) The most viable option is a sale. This was also an option given in the Cabinet Directive.
  - (ii) The LTLs to revive the Common Trust Deed and appoint a Trustee to carry out the final negotiations on the sale. The previous Trustee had resigned.
  - (iii) The LTLs' Trustee to appoint a Joint Receiver and lawyer who, alongside the Government lawyer, will put in place a mechanism for the sale.
  - (iv) The STL and LTLs' lawyers will develop a Road map for the sale process in form of a Memorandum of Agreement (MoA) that will be signed by both parties for the realization of the sale.
  - (v) The MoA must be received by Friday, 19<sup>th</sup> October 2012 so that it can receive clearance from the Office of the Attorney General before statutory notices for a sale are issued by the Receivers.
  - (vi) The sale process must be completed before March 2013.

6. The Cabinet held a meeting with leaders from Western Kenya on 3<sup>rd</sup> July 2013 at NSSF Building, 17<sup>th</sup> Floor and PPM Receiver Manager. In that meeting, the Receiver Manager confirmed that the Long Term Lenders had agreed to a common approach for selling of the company. It was agreed that the Receiver Manager provides written communication on the joint approach. The meeting then agreed to the following as the way forward:

- (i) Advertise in Local and International Media (By August 2013)
- (ii) Receive Bids and due diligence (September – October 2013)
- (iii) Bids submission, evaluation and award (November 2013)

- ~~7. The National Land Commission Chairman wrote to Principal Secretary MOIED on 26<sup>th</sup> Nov 2013 enquiring on the description of land under by Pan Paper Mills without Title Deeds~~

also details of land under factory whose titles are held by other Government Agencies and particulars of land whose leases have expired and the Ministry has gathered the following information on the same:

- i) Seven (7) parcels have titles and the copies of Title deeds are attached they are on 99 years lease.
  - a) Factory Plot
  - b) Effluent Disposal
  - c) KPL Substation
  - d) KPL Substation
  - e) Senior Staff Housing
  - f) Cultural Station
  - g) Land leased from J.B Lukorito
- ii) Six (6) Parcels have allotment letters with 99years lease.
  - a) Pump House
  - b) Mill Expansion Plot B
  - c) Recreational Football Plot A
  - d) Plot 'AG' Football
  - e) Plot 'Y' Football
  - f) Pan Paper High School, now Masinde Muliro University Plot 'C'
- iii) Three parcels are rented from National Housing Corporation and Kenya Forest Services
- iv) One Parcel is awaiting issuance of Letter of Allotment
  - a) Social Centre

### **3.2.2 Part two: Sale of the company assets**

#### **A. Introduction**

The sale of the assets was initiated by the Long Term Lenders and was advertised in Kenya, South Africa, the Middle East and Europe. Two bidders expressed interest with one expressing to buy the assets at Kshs. 1.2 billion and the other did not give an indication of the purchase price.

The bidder who did not give the price later withdrew whereas the other bidder, Tarlochan Limited, reduced the price from Kshs. 1.2 billion to Kshs. 900 million. The facility was therefore sold at Kshs. 900 million with the purchaser indicating the Kshs. 200 million to be used for rehabilitation of the factory. Tarlochan Limited is owned by the Rai group who are committed to continuing the operations of the factory as a paper and pulp manufacturing plant. Tarlochan signed the Sale Agreement in June 2016 effectively taking over as the new owners of the Company.

#### B. Assets sold

The Assets sold include Mill Expansion Plot B and the Pump House Plot. The Pan Paper High School and Football pitch were part of the assets attached by the long term lenders. All property that was charged to the lenders, which included the football stadium, etc was sold to the new investor. For the football fields, the new investor intends to maintain its use for benefit by the community.

Details of Assets transferred are as follows:

No.	Name of Property	Description of Property	Size (Ha)
1.	Ndivisi/Muchi/1601	KPLC Sub-Station	0.01
2.	Ndivisi/Muchi/2292	KPLC Sub-Station	0.2
3.	Letter of allotment No. 82341/124 dated 10 <sup>th</sup> November 1977	Pump House Plot (Unsurveyed)	5.74
4.	Letter of allotment No. 93373/IV/155 dated 27 <sup>th</sup> September 1994	Mill Expansion Plot 'B'	6.1

Masinde Muliro University was occupying the high school that is under a leasing agreement with the former receivers and the new investor intends to re-possess the facility, refurbish and invest in it as part of his Community Social Responsibility to revive the school for the people of Webuye.

The estate is under lease from the National Treasury, who shall be transferring the lease to the new investor. The property as noted belongs to the government through the National Treasury, which issued the lease in the first place. The land and property is not owned by Pan Paper and neither is it owned by the new investor.

The Kenya Forest Service has committed to providing the investor 11,000 ha of mature trees for use by the factory and lease out 9,000 ha for the investor to plant trees. Negotiations are still ongoing for the issuance of the lease.

### **C. Former employees**

The new owner has committed to employ as many former employees as possible. He has absorbed all the employees that were working with the receiver manager to assist in the rehabilitation of the factory. For those employees who could not secure any employment during the receivership period, there may be a chance for them to be reabsorbed by the new investor as he will require all the hands in the process to resuscitate the factory. This will be a gradual process as the other lines are rehabilitated and opened after line one. The process is not easy, and it will take significant time to turn around the factory back to its former self.

As for the dues for the former employees, the Ministry of Industry, Trade and Cooperatives and the National Treasury are looking into the matter in line with the provisions of the employment Act and the Company law regarding insolvency to determine the way forward. Under the company laws that govern receivership and the payment hierarchies that employees' due fall into two categories depending on how much they are owed:

- i. Preferential claim – which covers the preceding four months to the receivership up to a maximum of Kshs. 20,000/=; and
- ii. Unsecured claim – that is anything above the Kshs. 20,000/= or that is beyond the prescribed period.

These are claims meant to be paid out of proceeds of floating charges, which are assets charged to the short term lenders (Government in this case). The state department is reviewing historical information on what payments to employees may have been done and as soon as they have it, appropriate recommendations will be made accordingly.

#### 4.0 COMMITTEE'S OBSERVATIONS

Upon analyzing the petition and through interaction with the Petitioner, the Committee made the following observations:

1. Since the collapse of Pan Paper Mills Company Ltd, former employees have not been paid their dues as per section 66 of the employment Act, 2012. The Act provides that:

*Where on an application made to him in writing by an employee or his representative the Minister is satisfied that—*

*(a) the employer of an employee has become insolvent;*

*(b) the employment of the employee has been terminated; and*

*(c) on the appropriate date the employee was entitled to be paid the whole or part of any debt to which this Part applies, the Minister shall, (subject to section 69), pay the employee out of the National Social Security Fund, the amount to which, in the opinion of the Minister, the employee is entitled in respect of the debt.*

2. The Ministry of Industrialization had no proper records of all the former employees working for the Pan paper Mills Company limited. In the absence of an authentic record, it would make their payment very difficult.
3. In June 2016, Pan Paper Mills Company Ltd was sold to Tarlochan Limited, a company owned by the Rai group, for Kshs 900 million. The investor would be expected to inject more than kshs 10 billion into the company over and above the purchase price over the next five years.
4. Securing titles for the factory including areas set aside for expansion, approval of the sale transaction by the Competition Authority of Kenya and assignment of leases to the buyer had already been done. The first line of the factory will be opened on 15<sup>th</sup> December 2016 while the other lines will follow thereafter.
5. Ahead of reopening, the factory has already recalled some of its former employees

## 5.0 COMMITTEE RECOMMENDATIONS

Having considered the Petition keenly and the prayers sought, the Committee recommends, that:

1. The Government of Kenya, through the Ministry of Industry, Trade and Cooperatives in conjunction with the National Treasury expedites compilation of an authentic list of all the former employees of the Pan Paper Mills Company Limited within the next three months after tabling of this report.
2. The Government of Kenya, through the Ministry of Industrialization, Investment & Trade and the National Treasury computes the final dues of the former employees of Pan Paper Mills Company limited with a view to paying them as provided for under Section 66 of the employment Act 2012 and other related legislations.
3. The Government of Kenya, through the National Treasury, avails funds within the 2017/18 financial year for payment of terminal dues to the former employees of the pan paper Mills Company limited

Signed: .....

Date: 2<sup>nd</sup> Feb 2017 .....

(THE HON. NELSON RIBUTHI GAICHUHIE, M.P.)

VICE CHAIRPERSON, DEPARTMENTAL COMMITTEE ON FINANCE, PLANNING  
& TRADE



**MINUTES OF THE 4<sup>TH</sup> SITTING OF THE DEPARTMENTAL COMMITTEE ON FINANCE, PLANNING & TRADE HELD ON WEDNESDAY 27<sup>TH</sup> JANUARY, 2016 IN COMMITTEE ROOM, 5<sup>TH</sup> FLOOR CONTINENTAL HOUSE, PARLIAMENT BUILDINGS AT 1:30PM.**

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**PRESENT**

- |                                  |                    |
|----------------------------------|--------------------|
| 1. Hon. Benjamin Langat, MP      | <b>Chairperson</b> |
| 2. Hon. Dr. Oburu Oginga, MP     |                    |
| 3. Hon. Jimmy Nuru Angwenyi, MP  |                    |
| 4. Hon. Jones Mlolwa, MP         |                    |
| 5. Hon. Timothy Bosire, MP       |                    |
| 6. Hon. Abdul Rahim Dawood, MP   |                    |
| 7. Hon. Ogendo Rose Nyamunga, MP |                    |
| 8. Hon. Shakeel Shabbir, MP      |                    |
| 9. Hon. Mary Emase, MP           |                    |
| 10. Hon. Sakwa John Bunyasi, MP  |                    |
| 11. Hon. Ronald Tonui, MP        |                    |

**ABSENT WITH APOLOGIES**

- |                                     |                         |
|-------------------------------------|-------------------------|
| 1. Hon. Nelson Gaichuhie, MP        | <b>Vice-Chairperson</b> |
| 2. Hon. Abdullswamad Shariff, MP    |                         |
| 3. Hon. Eng. Shadrack Manga, MP     |                         |
| 4. Hon. Alfred Sambu, MP            |                         |
| 5. Hon. Kirwa Stephen Bitok, MP     |                         |
| 6. Hon. Anyanga Andrew Toboso, MP   |                         |
| 7. Hon. Daniel Epuyo Nanok, MP      |                         |
| 8. Hon. Joseph Limo, MP             |                         |
| 9. Hon. Joash Olum, MP              |                         |
| 10. Hon. Patrick Makau King'ola, MP |                         |
| 11. Hon. Lati Lelelit, MP           |                         |
| 12. Hon. Tiras Ngahu, MP            |                         |
| 13. Hon. Sumra Irshadali, MP        |                         |
| 14. Hon. Sakaja Johnson, MP         |                         |
| 15. Hon. Dennis Waweru, MP          |                         |
| 16. Hon. Sammy Koech, MP            |                         |
| 17. Hon. Sammy Mwaita, MP           |                         |
| 18. Hon. Iringo Cyprian Kubai, MP   |                         |

**IN ATTENDANCE**

1. Hon. Patrick Wangamati, MP
2. Hon. Zuleikha Juma Hassan, MP

**STAFF**

- |                        |   |                       |
|------------------------|---|-----------------------|
| 1. Mr. Fredrick Otieno | - | Third Clerk Assistant |
|------------------------|---|-----------------------|

- |                         |   |                       |
|-------------------------|---|-----------------------|
| 2. Mr. Nicodemus Maluki | - | Third Clerk Assistant |
| 3. Ms. Ann Ceta Gacheri | - | Research Officer      |
| 4. Mr. Eric Ososi       | - | Research Officer      |

**MIN.NO. DCF/011/2016: PRELIMINARIES**

The Chairperson called the meeting to order at 1:50pm followed by a word of prayer from Hon. Rahim Dawood.

**MIN.NO. DCF/012/2016: CONSIDERATION OF THE PETITION ON PAYMENT OF TERMINAL DUES TO THE FORMER EMPLOYEES OF PAN PAPER COMPANY LTD BY HON. PATRICK WANGAMATI, MP.**

Nominated Member of Parliament Hon. Patrick Wangamati appeared before the Committee and made the following presentation on above said petition. That;

- i. Pan Paper Mills was established in 1974 as a joint venture between Orient Paper and Industries (part of India's Birla Group) the Kenyan Government and the World Bank's International Finance Corporation.
- ii. Pan Paper had a production capacity of 120,000 tonnes per annum for various grades of paper with ability to of producing wood pulp and paper at its mill in Webuye and created employment to more than 30,000 people in Western Kenya.
- iii. In March 2009, the factory was brought to sudden closure and was placed under receivership following mismanagement and misappropriation of the Company's resources.
- iv. Due to the closure of the factory, all the employees were rendered jobless and are now living in poverty. It also meant an economic crisis to the whole country.
- v. A total of 1200 ex-workers have not been paid their terminal dues to date.
- vi. The former employees have been making multiple follow-ups and have not received any redress to-date.
- vii. The matter presented in the petition is not pending before any tribunal or court of law.

The petitioner prays that the National Assembly;

- i. Recommends payment of the final Dues to all the former employees
- ii. Ensure that the petitioner's plight is addressed; and
- iii. The labour ministry be informed that at the moment there is no Receivership on the factory, lights were switched off long time ago and the union put some watchmen at the factory.
- iv. Makes any other order and/or direction that it deems fit in the circumstances of the case.

**Members Concerns**

Having heard the petitioner, Members raised the following concerns:-

- i. It was important for the petitioner to provide details of the former employees of the Pan Paper and the amount owed to each one of them.

- ii. The petitioner to clarify whether the final dues were inclusive of salaries and pensions or it was terminally due.
- iii. The petitioner was further requested to clarify on the specific number of employees among the 1200 that were not the original employees of India's Birla Group.

While responding to some of the issues raised by Members, Hon. Patrick Wangamati, MP informed the Committee that;

- a) Pan Paper was a joint venture between the Government of Kenya and the Birla Group. The Government owned 40% of the shares and the remaining 60% was owned by the Birla Group.
- b) The Company is currently owned by the Government since it still owns shares and the only partner remaining after the Birla Group left.
- c) The receivership was done by the Government and the revival is to be done by the government.

**MIN.NO. DCF/013/2015: PETITION REGARDING MISMANAGEMENT OF WOMEN GROUPS SAVINGS BY THE KENYA WOMEN FINANCE TRUST PRESENTED BY HON. ZULEIKHA JUMA, MP ON BEHALF OF RESIDENTS OF KWALE COUNTY**

Hon. Zuleikha Juma, MP appeared before the Committee and briefed it on the above said petition as follows, that;

- i. The Kenya Women Finance Trust and its parent Company, Kenya Women Holdings, provides financial services exclusively to low income earning women in Kenya and its main objective is to improve the socio-economic status of its members.
- ii. The institution has branches in various parts of the Country including Kwale County.
- iii. The institution has in the recent past breached its contract with its Members in Kwale County by compelling them to give a replacement of another account holder upon termination of their contract with the institution, thus frustrating the members financial empowerment efforts.
- iv. The institution has taken advantage of low literacy levels of the members and withdrawn their savings book, thus denying them a chance to be in the know of their account status.
- v. The institution has been forcefully taking household goods of members who have un-serviced loans with the institution without following due procedure.
- vi. Attempts to get the management of the institution to listen to the member's grievances were unfruitful.
- vii. The matter in respect of which the petition is made is not pending before a Court of Law.

The petitioners pray that the Committee;

- i. Intervenes to ensure that the petitioner's plight is addressed by investigating the management of the KWFT for compelling women to provide a replacement of other account holder(s) upon termination of their contracts with the institution.

- ii. Intervenes to ensure that the petitioners access their savings immediately they terminate their contracts with the institution, and
- iii. Makes any other recommendations that may be deemed fit in redressing the plight of the petitioners.

Hon. Zuleikha Juma, MP, further informed the Committee that after presenting her petition to Parliament, the Management of the institution contacted and invited her to their Office to discuss the matter. They requested her to withdraw the petition and promised they will pay the groups their savings. She however informed them that she will only withdraw the petition after the full payments of the savings were done to the groups.

She confirmed to the Committee that the institution's management fulfilled their promise and provided her with a list of the names of those who have been paid which she tabled before the Committee. Further, the management promised to pay other groups across the Country.

Hon. Zuleikha Juma informed the Committee that since her objective has been achieved, she wished to withdraw the petition and will write a letter to the Committee requesting for withdrawal. Her intention of the petition was not to destroy the institution but to help the women of Kwale County and other parts of The Country.

**Members Comments**

Though the Hon. Zuleikha requested to withdraw the petition, the Committee asserted that the matter was a proper of the Committee and therefore would proceed to interrogate it to its logical conclusion.

**MIN.NO. DCF/014 /2016: RESOLUTIONS**

Having heard from the two petitioners, Members resolved to invite the relevant and concerned agencies for their comments before compiling its reports.

**MIN.NO. DCF/015 /2016: ANY OTHER BUSINESS**

There being no other business, the Chairperson adjourned the meeting at 3:30 pm.

Signed..........date.....

**Vice Chairperson**

**MINUTES OF THE 4<sup>TH</sup> SITTING OF THE DEPARTMENTAL COMMITTEE ON  
FINANCE, PLANNING & TRADE HELD ON THURSDAY 2<sup>ND</sup> FEBRUARY, 2017 IN  
COMMITTEE ROOM 12, PARLIAMENT BUILDINGS AT 1.35PM**

---

**PRESENT**

1. Hon. Benjamin Langat, MP - Chairperson
2. Hon. Nelson Gaichuhie, MP - Vice - Chairperson
3. Hon. Eng. Shadrack Manga, MP
4. Hon. Jimmy Nuru Angwenyi, MP
5. Hon. Sakwa John Bunyasi, MP
6. Hon. Abdul Rahim Dawood ,MP
7. Hon. Mary Emase, MP
8. Hon. Ronald Tonui, MP
9. Hon. Jones Mlolwa, MP
10. Hon. Sumra Irshadali, MP
11. Hon. Lati Lelelit, MP
12. Hon. Daniel Epuyo Nanok, MP
13. Hon. Anyanga Andrew Toboso, MP
14. Hon. Kirwa Stephen Bitok, MP
15. Hon. Hezron Awiti Boro, MP

**APOLOGIES**

1. Hon. Dr. Oburu Oginga, MP
2. Hon. Shakeel Shabbir, MP
3. Hon. Sammy Mwaita, MP
4. Hon. Ogendo Rose Nyamunga, MP
5. Hon. Alfred Sambu, MP
6. Hon. Dennis Waweru, MP
7. Hon. Sammy Koech, MP
8. Hon. Sakaja Johnson, MP
9. Hon. Joseph Limo, MP
10. Hon. Patrick Makau King'ola, MP
11. Hon. Abdullswamad Shariff, MP
12. Hon. Joash Olum, MP
13. Hon. Tiras Ngahu, MP



## **KENYA NATIONAL ASSEMBLY**

- |                          |   |                       |
|--------------------------|---|-----------------------|
| 1. Mr. Evans Oanda       | - | First Clerk Assistant |
| 2. Mr. Nicodemus Maluki  | - | Third Clerk Assistant |
| 3. Mr. Fredrick Otieno   | - | Third Clerk Assistant |
| 4. Mr. Thomas Ogwel      | - | Fiscal Analyst        |
| 5. Mr. Omar Abdirahim    | - | Fiscal Analyst        |
| 6. Ms. Catherine Mukunyi | - | Sergeant At Arm       |

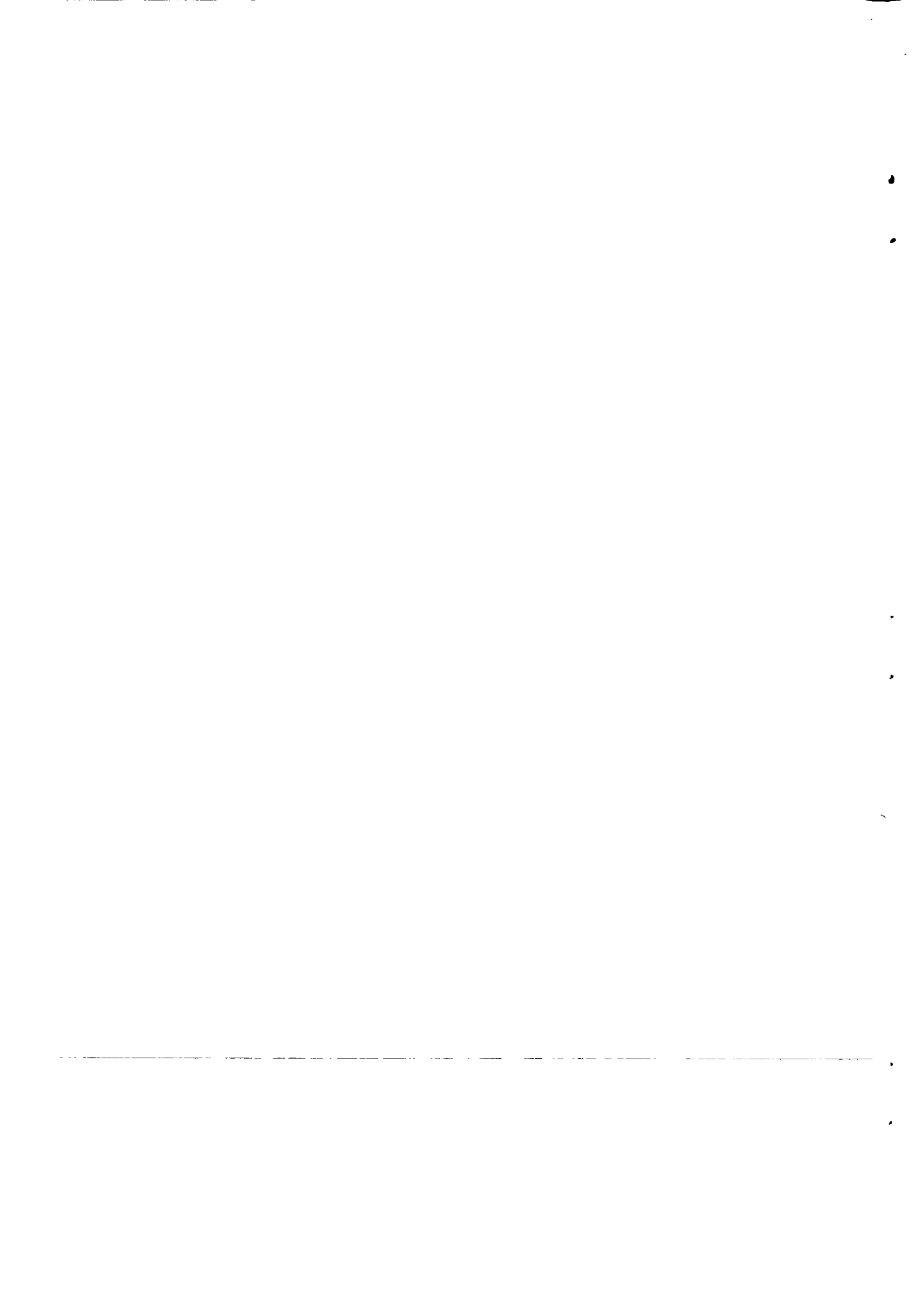
### **MIN.NO. DCF/013/2017: PRELIMINARIES**

The Chairperson called the meeting to order at 1.35pm and requested Members to spare a few minutes allow the Committee adopt the reports on some petitions that have been pending before the Committee.

### **MIN.NO. DCF/014/2017: CONSIDERATION AND ADOPTION OF THE REPORT ON A PUBLIC PETITION ON IMPLEMENTATION OF THE 2009 AKIWUMI TRIBUNAL REPORT ON MINIMUM LIVING PENSION FOR FORMER MEMBERS OF PARLIAMENT WHO SERVED BETWEEN 1984 AND 2002 BY HON. (ENG.) NICOLAS GUMBO, MP**

The Committee considered and unanimously adopted the following recommendations:

1. The National Assembly urgently amends section 8 of the Parliamentary Pensions Act, Cap 196 to give legal effect to the proposed payment of a minimum Living Pension of US \$ 1,000.00 to former Members of Parliament by inserting the following new subsection immediately after subsection (2) –
  - i. *“(3) Notwithstanding subsection (2), a former Member of Parliament who, having served in Parliament between the year One thousand nine hundred and eighty four and Two thousand and two and is entitled to pension under this section, and whose monthly pension amounts to less than One hundred thousand shillings, shall be entitled to, with effect from 1<sup>st</sup> July 2010, to a monthly pension of One hundred thousand shillings.”*
2. The Government of Kenya, through the National Treasury, avails funds within the 2017/18 financial year for implementation the new subsection 8(3) of the Parliamentary Pensions Act, Cap 196.



**MIN.NO. DCF/015/2017: CONSIDERATION AND ADOPTION OF THE REPORT ON A PUBLIC PETITION ON PAYMENT OF TERMINAL DUES TO THE FORMER EMPLOYEES OF THE PAN PAPER COMPANY LTD BY HON. PATRICK WANGAMATI, MP**

The Committee considered and unanimously adopted the following recommendations:

1. The Government of Kenya, through the Ministry of Industrialization, Investment & Trade in conjunction with the National Treasury expedites compilation of an authentic list of all the former employees of the Pan Paper Mills Company Limited within the next three months after the tabling of this report.
2. The Government of Kenya, through the Ministry of Industrialization, Investment & Trade and the National Treasury computes the final dues of the former employees of Pan Paper Mills Company limited with a view to paying them as provided for under Section 66 of the employment Act 2012 and other related legislations.
3. The Government of Kenya, through the National Treasury, avails funds within the 2017/18 financial year for payment of terminal dues to the former employees of the pan paper Mills Company limited

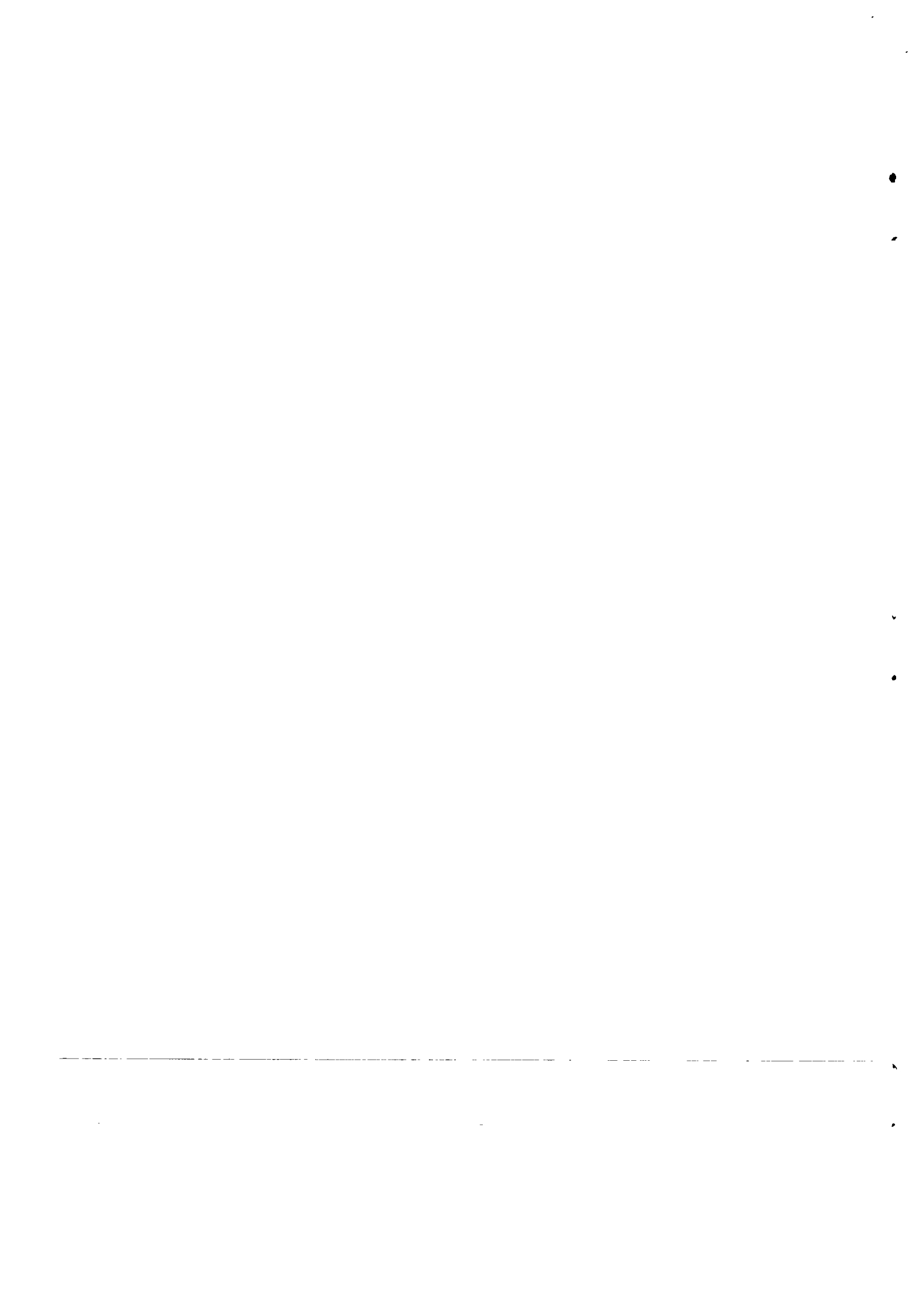
**MIN.NO. DCF/016/2017: ANY OTHER BUSINESS**

There being no other business, the Chairperson adjourned the meeting at 2.10pm.

**Signed**.....

**Chairperson**

**Date**.....







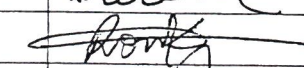




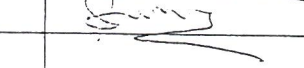

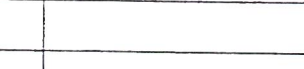



DEPARTMENTAL COMMITTEE ON FINANCE, PLANNING & TRADE

MEMBERS ATTENDANCE REGISTER

DATE 02/02/2017 TIME 1:35 PM

AGENDA CONSIDERATION AND ADOPTION OF REPORTS ON PUBLIC PETITIONS BY HON. PAUL OKANGAMATI MP AND HON. (S/O) MICHAEL GUMEL MP.

	NAME	TITLE	SIGNATURE
1	Hon. B. K. Loyat	Chair	
2	Hon. Nelson Graeluhia	Member	
3	Hon. Jimmy Arinanyi	Member	
4	Hon. Daniel E. Narou	member	
5	Hon. Mary Emagap	member	
6	Hon. Ansel Bodo	member	
7	Hon. A. RAHIM DAWOOD.	"	
8	Hon. Lati lelelit	"	
9	HON RONALD TONU	"	
10	HON JONG MLOLWA	"	
11	Hon. Eng S. R. MANGA	"	
12	Hon. Anyanga Andrew Toboso	"	
13	Hon. Kineta S. Bitok	"	
14	HON. SAKWA BUNYASI	"	
15	Hon. James Sumon	"	
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REPUBLIC OF KENYA  
PARLIAMENT

# Hon. Patrick K. Wangamati MP.

Nominated Member of Parliament

Parliament Buildings  
Tel: +254 20 222 1291  
P.O. Box 41842 00100 Nairobi, Kenya

Harambee Plaza  
Mobile: +254 722 624 770  
Email: patrickwangamati@gmail.com

THE NATIONAL ASSEMBLY

ELEVENTH PARLAIMENT

(THIRD SESSION)

PUBLIC PETITION

BY, THE FORMER EMPLOYEES OF PAN PAPER MILLS REGARDING PAYMENT OF

THEIR DUES.

I **THE UNDERSIGNED**, on behalf of over one thousand two hundred former employees of the defunct Pan Paper Company Limited,

**DRAW** the attention of the house to the following;

- i. THAT Pan paper Mills was established in 1974, as a joint venture between Orient Paper and Industries (part of India's Birla Group ) the Kenyan Government and the World Bank's international Finance Corporation;
- ii. THAT, Pan Paper Mills production capacity was one hundred and twenty thousand(120,000) tonnes of paper a year at its mill in Webuye and created employment to more than thirty thousand people in Western Kenya;
- iii. THAT, the mill was placed under receivership in the year 2009 following mismanagement and misappropriation of the Company's resources
- iv. THAT, due to the closure all the employees were rendered jobless and are living poverty;
- v. THAT, the former employees have not been paid their terminal dues to-date;
- vi. THAT, multiple follow-ups by the former employees have not received any redress to date;
- vi. THAT, effects to resolve the matter have borne no fruit, and the families of the petitioners continues to live in object poverty;
- vii. THAT, the matter presented in this petition is not pending before any tribunal or court of law;

**THEREFORE**, your humble petitioner **PRAYS** that the National Assembly:

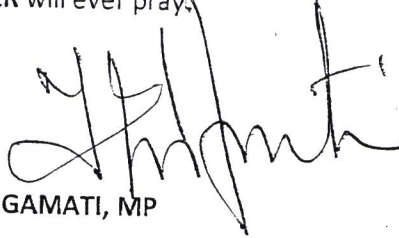
- (i) Recommends payment payment of the final dues to all the former employees;

**PUBLIC PETITION**  
**BY FORMER EMPLOYEES OF PAN PAPER MILLS REGARDING PAYMENT**  
**OF THEIR DUES.**

- (ii) Ensure that the petitioner's plight is addressed; and
- (iii) The labour ministry be informed that at the moment there is no Receivership on the factory, light were switched off long time ago and the union put some watchmen at the factory.
- (iv) Makes any other order and /or direction that it deems fit in the circumstances of the case.

And your PETITIONER will ever pray.

PRESENTED BY,



HON. PATRICK WANGAMATI, MP

NOMINATED MEMBER

DATE.....

# KENYA UNION OF PRINTING, PUBLISHING, PAPER MANUFACTURERS AND ALLIED WORKERS

("KUPRIPUPA"-Workers)

(AFFILIATED TO C.O.T.U. - KENYA AND UNION NETWORK INTERNATIONAL NYON SWITZERLAND)

NATIONAL OFFICIALS

National Chairman

JOSHUA ANZWENI

National Treasurer;

PETER M. MAHIGA

All correspondence to be addressed to:

THE NATIONAL GENERAL SECRETARY  
CCLR. RAJABU W. MWONDI

Head Office:

TOMBOYA STREET,

5TH Floor Room No. 4

MERU SOUTH HOUSE,

P.O. BOX 72358-00200

CITY SQUARE - NAIROBI

TEL: 254-20-216012/215981

Email: kupripupa04@yahoo.com

Your Ref: .....

Our Ref: .....

Date: ..... 14th Oct. 20 15

THE SPEAKER  
THE KENYA NATIONAL ASSEMBLY

THRO'  
HON. PATRICK WANGAMATI  
LP BUNGOMA

Dear Mr. Speaker Sir,

## REF: WORKERS PETITION FOR PAN-PAPER REVIVAL STRATEGY

Above factory had production capacity of 120,000 MT per annum for various grades of paper, with ability of producing wood pulp and paper, virgin pulp was imported from South Africa and Scandinavian countries at a lower cost compared to the cost of nurturing a tree from nursery and transport. It had 838 self contained houses. Excluding VIP guest house restaurant and 40 VIP Guest houses each with 6 bedrooms, two living rooms etc. a MMUST campus, culture and a social centre. The company had a total value of 18 Billion Kenya Shillings.

Its closure meant economic crisis to the whole country. As a requirement, the Labour Minister was informed and he responded by instructing FKE to chair a Tripartite meeting in his Kisumu Branch office on February 2009 to seek a way forward. In the meeting, the following was agreed:

- 30,000 employees were sent on leave and retained rental free houses and Medicare.
- 30 percent of individual basic pay was to be paid monthly. No loss of service on factory revival.

This agreement is valid to date. Available document from concerned PS (John Lanyangopuo, Dr. Kibicho Karanja and Aden Mohammed) shows that since then the state is working on Panpaper Factory revival. On 1/5/2013 at 11:15 am, president Uhuru Kenyatta at Uhuru Park assured Kenyans about his revival process stating that the Government was reviving Pan Paper with a strategic partner under agreed terms. At Gov. Lusaka's home coming party, President Uhuru Kenyatta re-affirmed his Panpaper rival intention.

Branches: NAIROBI, MOMBASA, NAKURU, KERicho, KITALE, KISUMU, ELDORET, THIKA, WEBUYE and KAKAMEGA

Vice Chairman: STEPHEN K. WATTI, Deputy General Secretary: ISAAC WAMBOYE, Assistant General Secretaries: W. O. ADONGO, G. W. MUTISO

OUR MOTTO: UNITY OF ALL WORKERS FOR EVER

Now Mr. Speaker Sir, under whose instructions is Rai and Juja of Gudka companies in Tanzania and Malawi are now bidding 1Billion, 1.1 Billion and finally 900 Million?

When a Receiver was appointed in March 2009, he disowned your government/ Federation of Kenya Employers/ COTU(K) agreement, except rental free houses which we lawfully own to date.

This information, represents wishes of all 2 million Kenyan workers. Receiver is yet to account for 80 million on a company account on the factory closure, wood pulp 47,500 m<sup>3</sup>, Waste paper 700 mt valued 12.5million shillings, Furnace oil 500,000 liters, chemical/starch/soda ash was to last for three months. 838 houses rental collection of 2 million monthly, this rent does not include MMUST campus, 40 VIP guest house houses and 40 hotel restaurant rent collection. Paper with converters worth 125 million he collected after management departure and 2 Billion Government Revival Budget.

Western Kenya MPs have been visiting the factory frequently without achieving an amicable solution to the workers demands. Since then Panpaper workers are languishing in poverty without a definite way forward despite the above government promises. They now petition to you seeking final government action.

You can also contact the government revival team leader Mr. A Katimbu Tel. 0722662164, COTU Secretary General Mr. Francis Atwoli on 0722736936.

Looking forward for your swift response on this urgent matter that is way overdue.

Yours faithfully,



Mr. Stephen Watiti

National Vice Chairman

Cc

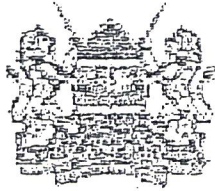
Secretary General - COTU Kenya

Chairman FKE Nairobi Kenya

Dr. Bishop E. Wabukala, ACK, KENYA

The President of AATUUO Ghana

clerk@parliament.go.ke  
Sat, Oct 24, 2015. 5:09pm



MINISTRY OF LABOUR, SOCIAL SECURITY AND  
SERVICES  
DEPARTMENT OF LABOUR  
BUNGOMA COUNTY

Tel: + 30684/30308

Fax: +

Email:

When replying, please quote  
MLSS&S/BGM/TU/26/Vol III(69)

P.O.Box 204

BUNGOMA

13/05/2015


The Labour Commissioner,  
Ministry of Labour, Social Security and Services  
P.O. Box 40326- 50200  
NAIROBI.

**RE: LABOUR COMPLAINT BY PAN PAPER EMPLOEES**

Reference is hereby made to a letter dated 21<sup>st</sup> March 2015 from the Branch Secretary, of Kenya Union of printing, publishing, paper manufacturers and allied workers. (KUPRIPUPA).

Refer also to a letter dated 10<sup>th</sup> February 2009 from the Secretary General of the same union all on the above subject.

Kindly provide direction on this matter which has taken over seven years unsettled.

  
KEPHAS ODHIAMBO  
COUNTY LABOUR OFFICER  
BUNGOMA



C.c.The General Secretary  
KUPRIPUPA  
P.O.Box 72358  
NAIROBI

✓ The Branch Secretary  
KUPRIPUPA  
BUNGOMA

*Vision: A Globally Competitive Workforce in a Decent Environment*

**THE EX - PAN PAPER EMPLOYEES ASSOCIATION**

563  
P.O BOX 535 - 50205

**WEBUYE.**

EMAIL: jameslukhoti@yahoo.co

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Date: 12<sup>th</sup> March 2015.

**H.E UHURU MUIGAI KENYATTA, CGH**

PRESIDENT OF THE REPUBLIC OF KENYA AND

COMMANDER IN CHIEF OF KDF,

THE STATE HOUSE

**NAIROBI**

Dear Your Excellency,

**RE: REQUEST FOR PAYMENT OF FINAL DUES TO THE EX-EMPLOYEES.**

Your Excellency Sir, we the undersigned persons, are extremely humbled to write to you on behalf of the 1200 bona fide ex - employees of Pan Paper Mills Ltd in your capacity as the Father and Chief Executive of our beloved nation as follows:-

1. To thank Your Excellency very sincerely for your consistent and considerate effort to revive *Pan Paper Mills factory* and other key factories including *Rivatex* and *Kikomi*.
2. To very humbly request Your Excellency to give the following *two grievances deserving fatherly attention and action*, in order to save the 1200 Ex - Employees and their families from extinction arising

mainly from the harsh economic realities of the absolute poverty they were thrown into after the sudden closure of the factory that was the only source of their livelihoods in <sup>March</sup> September 2009:-

a) That the 1200 Ex - Employees be paid their final / terminal dues amounting to **Kshs 400 million** before the planned revival of the factory in the near future.

b) That the Ex - Employees be given priority during the initial recruitment of staff for the re-start up of the factory in view of their technical knowledge, skills and experience in paper and board manufacture.

Your Excellency, Sir, we wish you and your family excellent health, God's blessings and guidance as you lead this great nation forward.

We remain,

Your obedient and faithful citizens,

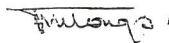
ON BEHALF OF THE EX-PAN PAPER EMPLOYEES:



**James Ngorise**

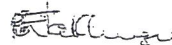
(Secretary - KUPRUPUPA)

0719681534



**Fred Mulongo**

(Member)



**Francis Barasa**

(Member)

0/L

OUR REF : PPM/HR/TS/2009  
DATE : 9 February 2009

The National General Secretary,  
Kenya Union of Printing, Publishing, Paper  
Manufacturers and Allied Workers (KUPRIPUPA),  
Tom Mboya Street,  
Meru South House,  
5<sup>th</sup> Floor, Room No. 4,  
P.O. Box 72358 – 00200,  
NAIROBI

Dear Sir,

**RE: TEMPORARY SUSPENSION OF COMPANY OPERATIONS.**

We write to request you to attend an urgent Joint Industrial Council (JIC) meeting with the Management team regarding the above subject.

Due to unavoidable circumstances, the Factory Operations were paralyzed on Friday 30<sup>th</sup> January, 2009, following disconnection of KPLC Power, among other constraints.

In view of the above and considering the seriousness of the situation, we propose to meet you under the auspices of the Federation of Kenya Employers (FKE) on 12<sup>th</sup> February, 2009 at 9.00 a.m. at the FKE offices in Nairobi to deliberate on the available options on how to handle employees during the period operations will remain suspended.

Please kindly confirm.

Yours faithfully,

For: PANAFRICAN PAPER MILLS (E.A.) LTD.



**N. K. SANA**  
**EXECUTIVE DIRECTOR & CEO**

Cc: The executive Director  
Federation of Kenya Employers  
P.O. Box 48311  
NAIROBI

MEMORANDUM OF AGREEMENT BETWEEN PANAFRICAN PAPER MILLS (E.A.) LIMITED AND KENYA UNION OF PRINTING, PUBLISHING, PAPER MANUFACTURERS AND ALLIED WORKERS ON THE OTHER SIDE ON WORK STOPPAGE SINCE 30<sup>TH</sup> JANUARY 2009 REACHED ON 14<sup>TH</sup> FEBRUARY 2009 AT THE FKE OFFICES IN KISUMU

PREAMBLE

WHEREAS;

The parties meeting in free heart and voluntary association on 14<sup>th</sup> February 2009 at the Federation of Kenya Employers offices at the Reinsurance House, Kisumu to consult on the work stoppage at Panafrican Paper Mills (E.A.) Limited since 30<sup>th</sup> January 2009.

AND WHEREAS

The parties have exhaustively discussed and considered circumstances leading to work stoppage on 30<sup>th</sup> January 2009 and on the way forward.


WHEREFORE PARTIES HAVE AGREED:

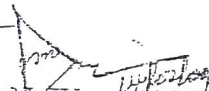
1. That the employees shall proceed on leave for three months leave with effect from 16<sup>th</sup> February 2009.
2. That salary for February 2009 shall be paid in full. Thereafter the employees will be paid their monthly basic salary at the rate of 30 % for the period of three months leave referred to at point 1 above, provided that the employees with leave due to their credit shall be paid their full salary covering such a leave period. Those who have matured leave to their credit would also be paid leave travel allowance.
3. That the company situation shall be reviewed between the Management and the Union officials every two weeks.
4. That the employees residing in company houses shall retain their houses during the leave period.
5. That the employees residing in rental houses/private residences shall continue to receive house allowance at the normal rate during this period.

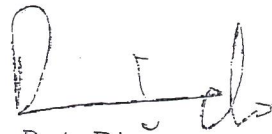
6. That the temporary arrangements of three months leave shall not affect the continuity of service of the employees of Panafrican Paper Mills (E.A.) Limited.
7. This agreement ceases upon resumption of factory operations.
8. This agreement shall apply to Union members. Those who are non-members shall pay agency fees as provided for under the Labour Relations Act 2007.

SIGNED BY:

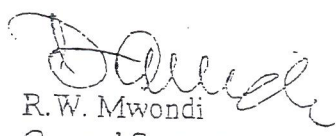
For and on behalf of the Management:

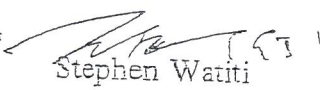
  
K.N. Kothari  
General Manager

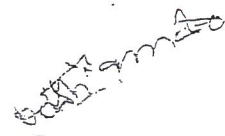
  
N. Wanambisi  
Director Human Resources

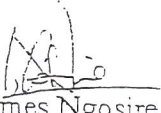
  
P. A. Diro  
Director Forestry (Planning)

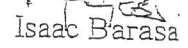
For and on behalf of KUPRIPUPA.


  
R. W. Mwondi  
General Secretary

  
Stephen Waiti  
National Vice Chairman


  
John Onguto  
Branch Chairman

  
James Ngosire  
Branch Secretary

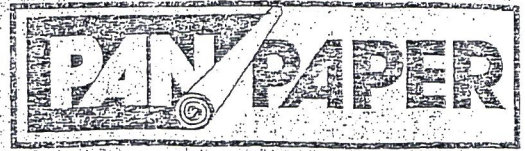
  
Isaac Barasa  
Asst. Branch Secretary

  
Wycliffe Wanyonyi  
Chief Shop Steward

Witnessed by

  
Harrison Okeche  
Federation of Kenya Employers

17th February 2009



NGOZIRE JAMES LUKHOTI  
MACHINE TENDER  
Dept PAPER MACHINE 4 PROCESS  
Works No. 03030623461



Dear Sir/Madam

You are aware of the circumstances that have led to the temporary suspension of Company operations from 30<sup>th</sup> January 2009.

The Management is working closely with the Government and the other shareholders of the company with a view to addressing the situation.

Considering that operations are currently suspended, it has become imperative to minimize expenses as we work towards securing the future of the company.

In this regard the management has had extensive consultations with KUPRIPUPA and an agreement was reached on 14<sup>th</sup> February 2009 in the following main terms:-

1. You shall proceed on leave for three months with effect from 18<sup>th</sup> February 2009.
2. Your salary for February 2009 shall be paid in full. Thereafter you will be paid your monthly basic salary at the rate of 50% for the period of three months leave referred to at point 1 above provided if you have leave due to your credit you shall be paid your full salary covering such leave period. If you have matured leave to your credit you would also be paid leave travel allowance.
3. The situation shall be reviewed between the Management and the Union every two weeks.
4. If you are residing in a company house you shall retain the house during your leave period.
5. However, if you are residing in a rental house/private residence, you shall continue to receive house allowance at the normal rate.
6. That this temporary arrangement of three months leave shall not affect the continuity of your service with company.
7. This arrangement ceases upon resumption of factory operations.

We hope you appreciate the challenging circumstances that we are undergoing and we request you to continue co-operating as we endeavor to find a solution.

Should the company require your services during this period, you will be entitled to your normal terms and conditions of service for the days you will be on duty.

Yours faithfully  
For PANAFRICAN PAPER MILLS (E.A.) LIMITED

N.K. Saha  
Executive Director & CEO

# KENYA UNION OF PRINTING, PUBLISHING, PAPER MANUFACTURERS AND ALLIED WORKERS

("KUPRIPUPA"-Workers)

(AFFILIATED TO C.O.T.U. - KENYA AND UNION NETWORK INTERNATIONAL NYON SWITZERLAND)

NATIONAL OFFICIALS  
National Chairman

JOSHUA ANZWENI

National Treasurer:

PETER M. MAHIGA

All correspondence to be addressed to:

THE NATIONAL GENERAL SECRETARY  
CCLR. RAJABU W. MWONDI

Head Office:

TOM MBOYA STREET,

5TH Floor Room No. 4

MERU SOUTH HOUSE,

P.O. BOX 72358-00200

CITY SQUARE - NAIROBI

TEL: 254-20-216012/215981

Email: kupripupa04@yahoo.com

Your Ref: .....

Our Ref: .....

Date 10<sup>th</sup> Feb. 2009 .....

The Minister for Labour and  
Human Resources Development,  
Ministry Headquarters,  
P.O. BOX 40326  
Nairobi.

Dear Hon. Minister,

## RE: A CALL FOR AN URGENT MEETING OF PAN PAPER MILLS STAKE HOLDERS

The attention of this Union has been drawn to the fact that for the last two weeks now workers at Pan Paper Mills (EA) Ltd, who are member of this Union and also affiliates of the Central Organization of Trade Unions Kenya (Cotu (K)), are not working. The Union has noted with deep concerns the turn of events at Pan Paper Mills Ltd, which is at the verge of collapsing.

The events are as a result of recent power disconnection and halting of employee's duties including those in areas not reliant on electric power is a point of alarm to the future well being of the Company, its workers and the Public at large.

There have also been allegations of corruption in procurement procedures, poor management systems and lack of visionary leadership as has been pointed out by the Auditors. No improvements in the latest technology which can make the Company compete in the new market system.

The Company has found it not fit to write to the Union and tell us what problems they are facing, so that workers would also in turn be kept informed.

As the matter is of urgent nature we call upon you as our Parent Ministry to summon for an urgent meeting of the Stake holders who include among others, The Permanent Secretary Finance, The Permanent Secretary Industrialization and The Permanent Secretary Environment & Natural Resources as they are board members. Also include the interested parties, i.e. Federation of Kenya Employers(FKE).

1

Branches: NAIROBI, MOMBASA, NAKURU, KERICHO, KITALE, KISUMU, ELDORET, THIKA, WEBUYE and KAKAMEGA


Vice Chairman: STEPHEN K. WATITI, Deputy General Secretary: ISAAC WAMBOYE, Assistant General Secretaries: W. O. ADONGO, G. W. MUTISO

OUR MOTTO: UNITY OF ALL WORKERS FOR EVER

Central Organization of Trade Unions Kenya(Cotu(k)) and the General Secretary  
Kenya Union of Printing, Publishing, Paper Manufacturers and Allied workers  
Union(Kupripupa).

Your speedy response will be highly appreciated by this Union.

Yours faithfully,



Rajabu W. Mwondi

General Secretary and Chairman of Cotu (K)

Cc.

The Minister of Foreign Affairs  
Ministry Head quarter  
Nairobi

Permanent Secretary  
Ministry of Industrialization  
P.O.BOX  
Nairobi

Permanent Secretary  
Ministry of Trade  
P.O.BOX 30430  
Nairobi

Permanent Secretary  
Ministry of Environment & Natural Resources  
P.O.BOX 30430  
Nairobi

Permanent Secretary  
Ministry of Finance  
P.O.BOX 30007  
Nairobi

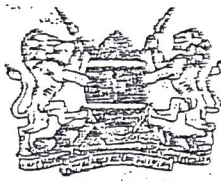
Secretary General  
Central Organization of Trade Unions  
(Cotu (K))  
P.O.BOX 13000  
Nairobi

Executive Director  
Federation of Kenya Employers  
(FKE)  
P.O.BOX 48311  
Nairobi

Mr. N.K.Saha  
Executive Director and C.E.O  
Panpaper Mills (EA)  
P.O.BOX 535  
Webuye

✓ The Branch Secretary  
Pan paper Workers  
P.O.BOX 535  
Webuye.

Honourable Sambu  
Area M.P.  
Webuye



MINISTRY OF INDUSTRIALIZATION  
Office of the Permanent Secretary

Telegrams: "TRADE" Nairobi  
Fax No.: +254-(0)20-215813  
Telephone: +254-(0)20-315001/2-4  
When replying please quote  
[ps@industrialization.go.ke](mailto:ps@industrialization.go.ke)

TELPOSTA TOWER:  
KENYATTA AVENUE  
P.O. Box 30418 - 00100  
GPO NAIROBI - KENYA  
URL: [www.industrialization.go.ke](http://www.industrialization.go.ke)

MOI/CONF 5/20

2<sup>nd</sup> March 2009

Ref: .....

Date: .....

Rajab W. Mwondi  
General Secretary & Chairman of Cotu (K)  
P O Box 72358 - 00200  
NAIROBI

**CONFIDENTIAL**

Dear *Mr. Mwondi*,

RE: A CALL FOR AN URGENT MEETING OF PAN AFRICAN PAPER  
MILLS STAKE HOLDERS

This is to acknowledge receipt of your letter dated 10<sup>th</sup> February 2009 addressed to the Minister for Labour and copied to this officer among others on the above subject matter.

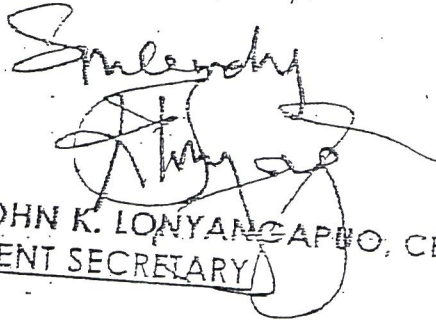
The Ministry is fully aware of what is happening at Pan Paper Mills and is consultatively working with the key stakeholders in the matter, to ensure the company returns to its operations the earliest possible. PPM management will no doubt be changed and modalities are already underway to restructure the current management.

The Chief Executive Officer, Pan African Paper Mills was advised to put some urgent temporary measures in place with regard to payment of staff salaries during the temporary closure of the company, as the Government pursues the implementation of the agreed measures.

This is therefore to confirm that the Government is addressing the issues affecting the company as evidenced by the re-assurance made through the media, and will soon finalize the remaining matters that will provide a lasting solution to the company's many problems.

Please bear with us until we finalize the plans underway to resuscitate the company.

Yours



PROF. JOHN K. LONYANGAPOO, CBS, HSC  
PERMANENT SECRETARY

CC: Amb. Francis K. Muthaura, EGH  
Permanent Secretary/Secretary to the  
Cabinet and Head of the Public Service  
P O Box 30510 - 00100  
NAIROBI

Mr. Joseph K. Kinyua, CBS  
Permanent Secretary  
Ministry of Finance  
P O Box 30007  
NAIROBI

Mr. M. A. Wa-mwacha, CBS  
Permanent Secretary  
Ministry of Forestry and Wildlife  
P O Box 30126 - 00000  
NAIROBI