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SESSIONAL PAPER

No. 5 of 1971

THE MUMIAS SUGAR COMPANY LTD.

PROJ/SUG/4

Ministry of Agriculture.

23rd July, 1971.

SESSIONAL PAPER NO. 5 OF 1971.

MUMIAS SUGAR COMPANY LTD.

Government Guarantee of Mumias Sugar Company Limited's
Purchase of Sugar Factory Plant from Booker McConnell
Limited.

The Guarantee (Loans) Act, Cap. 461

In accordance with the provisions of the Guarantee (Loans) Act, Cap. 461, the following information is laid before the House asking its approval from Government to guarantee the performance by the Mumias Sugar Company Limited as purchaser, of a contract for the supply by Booker McConnell Limited of a complete cane factory for erection at Mumias in the Kakamega District of Western Province.

In 1967, the Kenya Government entered into an agreement with the British firm of Booker McConnell Limited for a pilot scheme and stage 1 commercial project as a study to ascertain the feasibility of establishing a sugar industry at Mumias. The Bookers' report which was submitted to Government in September, 1970 showed that it was possible to grow sugar-cane and establish a sugar factory in that area. As the report was fully favourable, the Government decided to proceed with the project.

The undertaking now calls for a factory initially capable of crushing cane at an average of 1760 metric tons per day, equivalent to about 50,000 tons of mill white sugar per annum. The factory will be capable of expanding to a production level of 70,000 tons of mill white sugar per annum. The scheme will involve the cultivation of about 28,500 acres of sugar-cane, about 10,000 acres of these will be on a nucleus estate, and the rest by about 3,700 small-holders. For the factory to expand to production of 70,000 tons of sugar, it will require cultivation of an additional 10,000 acres of sugar-cane which it is expected will be provided by small-holders. An income of about K£850,000 per annum can be expected by small-holders from the 18,500 acres of sugar-cane and K£1,300,000 per annum from 28,500 acres. The factory is expected to employ a labour force of more than 2,000 over and above that provided by farm owners on the outgrowers scheme.

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In the 1967 agreement, it was provided that if Government accepted the recommendations of the Bookers' report for a sugar industry to proceed, a company would be formed for that purpose. This company, the Mumias Sugar Company Limited has now been incorporated to undertake the factory operation. The Kenya Government will have a majority interest in this Company, while the minority shareholdings will come from various bodies and investors now being arranged.

The contract for the supply and erection of a complete turn-key factory by Bookers' is at a provisional contract price of K£3,448,764 of which about two-thirds is for the supply of the factory plant and machinery from the United Kingdom and for transport to Kenya. The balance is for the plant erection and buildings and transport and other services in Kenya, for which the contract price is provisionally estimated, as it will entirely depend largely on the amount of local sub-contracts yet to be arranged.

The completion date for the factory contract is set at 1st July, 1973 and payment of the contract price is to be made over the intervening two years, as the equipment is delivered and the works progressively completed.

Under the terms of the Contract, Government is required to ensure performance of the Mumias Sugar Company's obligations and the authority of the House to this is now sought under the Guarantee (Loans) Act.

The total contingent liability of Kenya Government in respect of all guarantees given to date under section 3 of the Guarantee (Loans) Act (other than those specified in the Schedule to the Act), amount to K£67,463,997. With the guarantee of K£3,448,764 equivalent proposed by this Sessional Paper, the aggregate will be increased to K£70,912,761 of which K£28,745,647 falls within paragraph (a), and K£42,167,114 within paragraph (b), of section 3 (3) of the Act.

Minister for Agriculture

..... 23rd July, 1971.

