

1933

3163//

KENYA  
C0533/436

3163//

Sisal Industry

Mr S.R. Hogg's development scheme.

Previous

18047/3/33

Subsequent

Reg 297	8/5
Mr Chestman	9/5
Mr Flood	10
Mr Stoddard	10/5
Mr J. Campbell	10.5
Mr C. Botterley	13.5
Mr Stirling	16.5
<del>Mr ...</del>	
298	23/5
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Room 208	31
217	1/6
President / Room	6/6
R 297	

1. Governor Byrnes 2110. 13 April 33

Encls. a copy of a memo by the Director of Agriculture, together with a copy of a letter to him by Col. Maxwell & states having regard to these criticisms it is not proposed to take any further action regarding Mr. Hogg's scheme.

Local opinion supports the criticism in the departmental minutes on 18077/3/32 that the scheme is compiled on unsound data apart from this the Chairman of the E.A. sisal growers Union considers that efficient estates would not agree to a merger with unsound estates.

It is clear that so far as the firm of Messrs. are concerned they cannot guarantee a scheme which may cost so much as £70,000 per annum or agree to any special railway or customs facilities.

In the first instance it seems sufficient to inform Mr. Hogg that the Governor of Kenya after consultation with his advisers and with the <sup>sisal</sup> growers is of opinion that ~~it~~ it would be undesirable for the Colony to undertake the financial commitments proposed in the scheme, which might be considered greater than anticipated.

(If Mr. Hogg asks for further info. he might be given further details at an interview.)

H.S. Pines M.L.A.  
9/6/33

~~W. Stoddart~~

Sir J. Campbell

Sir C. Bottomley

Colonel Maxwell & Mr Holm seem to dispose of the project pretty thoroughly. In particular it is to be observed that local opinion is that 'overheads' would go up, not down, and that the good estates would not welcome the proposal. I can see no ground for Govt. interference, and if we begin to consider why not all the rest, wheat, maize, coffee and anything else?

? as proposed

J. I. O. Kent  
10.5.33

The objections to the Scheme appear to be sound & I see no reason why they should not be communicated to Mr Hogg in an interview

J. A. Wickdala  
10/5/33

Wickdala  
10/5/33

Sir S. Wilson.

I think that you should see that this proposal has come to nothing.

It was an <sup>Accounting</sup> ~~accounting~~ scheme for rationalizing enterprises which are scattered over a large area, and the only chance of bringing it into effect would be the goodwill of the people concerned. That goodwill is absent, and it appears even that the scheme would not have the effect of reducing overhead charges. There is nothing to do but to write to Mr. Hogg as proposed, but we might also express appreciation

of

of the trouble which he has taken over the for duration of the scheme.

3.5.33

Deer, Hogg.

J. H. a  
at 0200  
16.5.33

2 To Hogg

*(Handwritten initials)*

S. R. Hogg

26 May 33

DESTROYED UNDER STATUTE No 2 & contains appreciation of interest taken in the matter.

*(Handwritten signature)*  
31

*(Handwritten initials)*

C. O.

Mr. Priestman 18/6

Mr. Hood 19/6

Mr.

Mr. Perkinson.

Mr. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

3163/1/33 Kenya.

C.D.  
R 19 MAY  
D 22

Downing Street,

23 May, 1933.

Sir,

I am etc. to refer to <sup>the</sup> my letter of <sup>from</sup>  
~~the~~ 14th February in which you were informed  
<sup>of</sup> that copies of your <sup>draft</sup> ~~Draft~~ Sisal Scheme had  
 been forwarded to the Governor of Kenya  
 for an expression of his views. ~~I am to say~~  
~~that~~ <sup>has now replied</sup> The Governor of Kenya has intimated  
 that, after consultation with his advisers  
 and with the sisal interests concerned, he  
 is of opinion that it would be undesirable  
 for the Colony to undertake the financial  
 commitments proposed in your scheme, which  
 might, it is considered, be greater than  
 anticipated.

I am, etc.

(Signed) J. E. W. FLOOD

DRAFT.

S.R.HOGG, ESQ.

KENYA.

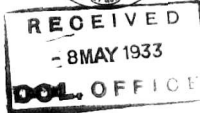
No. 220



GOVERNMENT HOUSE,

NAIROBI

KENYA



27 April, 1933.

Sir,

I have the honour to refer to your despatch

No 16

No. 98 of the 14th February and enclosures relating to a

18077/3/32 scheme put forward by Mr. S.R. Hogg for the rationalisation of the sisal industry.

----- 2. I enclose a copy of a memorandum by the Director of Agriculture, together with a copy of a letter addressed to him by Colonel M. Maxwell, who is Chairman of the East African Sisal Growers' Association, regarding Mr. Hogg's proposals. Having regard to these criticisms, with which I am in agreement, I do not propose to take any further action in the matter unless I am instructed to do so.

I have the honour to be,

Sir,

Your most obedient, humble servant,

BRIGADIER GENERAL  
G O V E R N O R.

THE RIGHT HONOURABLE  
MAJOR SIR PHILIP CUNLIFFE-LISTER, P.C., G.B.E., M.C., M.P.  
SECRETARY OF STATE FOR THE COLONIES,  
DOWNING STREET,  
LONDON...S.W.1.

The Hon. Colonial Secretary,  
NAIROBI.

RATIONALISATION OF SISAL INDUSTRY - PROPOSAL  
BY MR. S.R. HOGG.

Ref. Your No. S/AGR. 6/3/32, Vol. II. of 6th March, 1932.

In accordance with His Excellency's wishes expressed to me verbally, I consulted Colonel Maxwell, Chairman of the East African Sisal Growers' Association, and I enclose copy of his letter to me. I regard his views as sound, and therefore do not propose to do more than emphasise them and to refer to certain aspects of the matter which occur to me.

2. The present price of sisal is about £18 per ton. Average costs per ton probably amount to about £7:10:0 for land charges, cultivation, planting etc., all subsequent operations being £11 per ton, making a total of about £18:10:0 per ton on an average. It is the opinion of the industry that any substantial increase in the price of sisal is unlikely unless new commercial uses are found for the fibre. Organised research for this is likely to be undertaken in the near future.

3. The estimate of £70,000 as the capital requirements for the scheme is unexplained as to how the figure was arrived at. It is regarded as inadequate for the renewals of machinery and of rotational plantings, as well as the reconditioning of estates which will be required, not to speak of the large aggregate need of estates out of production for cash for monthly labour accounts which will require to be met from capital initially. The sum required to set the scheme in motion is likely to exceed £150,000. The Government once having guaranteed the interest on £70,000 is likely to find itself under the necessity of a further guarantee in order to protect its first commitment.

4. The object of the grouping of estates geographically is not quite clear. It will certainly not be essential for grading purposes, as other measures for this could be adopted, and Colonel Maxwell has pointed out the absurdity of the proposal for a moveable labour force. It might be useful for decentralisation of executive management, however.

5. The present methods of marketing are not the impediment to cheaper rail and port charges. The financial position of the Railway Administration itself is the impediment. Requests for reduction by the industry have already been refused and there is no greater likelihood of reduction being granted because estates are merged into a single company. Similarly in regard to the anticipation of reduced customs duties. It would be an unsound precedent to forego

revenue because of a change in the organisation of an industry. There are other depressed industries besides sisal badly in need of relief of the kind.

6. Research and a laboratory for this would hardly be necessary. The high-altitude field experiment station for sisal which has been an aim for some years could, however, be achieved without this "merger" scheme.

7. One of the principal defects in the scheme is the anticipated savings on overhead charges, particularly on salaries of management. Such charges are now down to bedrock and any scheme under which there is to be a salaried secretariat and a large number of highly-paid managers, instead of the present system of owners doing their own secretarial and managerial work, content to take their reward for this out of actual cash profits, is bound to add considerably to overhead charges. There might be economy in this factor in times of prosperity for the industry, but in times of prosperity a merger scheme of this kind would not be necessary.

8. It is doubtful if the sound sisal estates in the Colony would welcome the scheme; it is almost certain that the unsound estates would adopt with some enthusiasm the proposal of a Government guarantee for their badly needed extra capital. Again many estates would be excluded from participation in the scheme because existing mortgages would prevent the pledging of these estates to the Government.

9. I am more than doubtful as to the practicability of the scheme, and do not consider that it is one in connection with which Government should, in the circumstances in which the Colony is placed, enter into the commitment proposed.

ALEX HOLM.

DIRECTOR OF AGRICULTURE.

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ALEX HOLM.

DIRECTOR OF AGRICULTURE.



C  
P  
Y.  
THE McMILLAN ESTATES

NAIROBI, KENYA COLONY.

18th March, 1933.

The Hon'ble the Director of Agriculture,  
NAIROBI.

Dear Sir,

Re Mr. Hogg's Memorandum on sisal industry  
in the Colony & Protectorate of Kenya.

I thank you for the opportunity of studying  
Mr. Hogg's Memorandum and will make the following remarks:

1. There are not seventy-five real sisal estates in the country, probably only half this number, though seventy-five estates may have sisal on them. Of the number of real sisal estates there are a certain number which are inefficient. Efficient and well managed estates would never consider combining with these, and if these were brought into a combination they would only prove a dead weight and make the combination inefficient. Unfortunately, under Mr. Hogg's scheme all estates must be brought in to the merger owing to the proposed benefits to be received from Government.
2. A merger scheme of this sort would certainly make for greater efficiency as regards the sale of sisal and financing thereof and as regards uniform grading. However, I hope the latter point will be overcome as a result of action being taken in these territories and at home.

Apart from the above two points the chief advantages from combinations arise owing to increased production per unit. By unit I mean an organization consisting of management and labour staff and factory and equipment; where two or more estates combine to use the same factory and equipment, a large saving is made, although as a rule geographical difficulties and the economic limit of transportation prevent such combines. The next most feasible combination is that where two or three estates can so arrange their production programme that one management and labour unit can move from estate to estate taking a certain amount of equipment with them but using separate factories on each estate. Mr. Hogg's scheme does not appear to contemplate specifically these advantages, while the advantages as suggested by him I will show later are not very real.

3. In my opinion a combination of estates can only be brought about gradually to be successful; firstly by adjoining estates combining and then by these combinations joining into a group, until finally, there are several groups who will agree to work together as regards sales and the financing thereof.

4. Returning to Mr. Hogg's memorandum, the practical side of the venture does not appear to have been gone into in any way thoroughly. I will not comment on the mass of tables etc., which are attached, but will make the following points;

(a) I do not understand the purpose of the grouping as set out. It is possible that the different groups may consist of estates which are likely to produce the same type of fibre. It is also possible that the estates of the different groups may fall under one management per group; otherwise, I cannot follow the purpose of this grouping.

(b) There appears to be some misunderstanding as to what the £70,000 is to be supplied for. If it is to maintain planting it might be sufficient to maintain the necessary planting for a year or two but not more. It is, in my opinion, completely inadequate for salvaging estates which have been allowed to go back.

(c) There may be a small saving if finance is provided for shipments, but a large number of estates do not require this finance, while if finance is necessary to keep afloat off the market during times of demoralized prices, a larger sum than is suggested may easily become necessary.

(d) I cannot see that a merger of this kind as suggested could help the railways and harbours to such an extent as to allow for a reduction in port charges and railage as suggested; and it strikes me that if the railway would be in a position to grant these concessions to the merger, they should now be in a position to grant some such help to the industry today, especially as the industry can and will help the railway in any way that the railway suggests.

(e) On the advantages stated in paragraph (14) I would like to comment as follows:-

Management Salaries - In my opinion these would go up, since estates today are working with minimum salaries, and in many cases, are worked by owners for a very small pittance. No one Board could control so many estates direct and several district and general managers would have to be appointed which would increase salaries considerably. It is true that Boards of Directors may be saved, but in each case I think you will find the directors are the first to forego any fees, while in many cases the director is the owner and the fees he draws are his livelihood, and for this he works very hard, doing a specific job for the estate.

Current finance: I have remarked on the above.

Reductions on labour costs:

It must not be forgotten that native labour does not consist of Morons. Each native has a specific place he likes to work, and he is not prepared to be shifted at any time from estate to estate, while labour gets used to its white men and does not like to be changed about. The idea, therefore, of scientific distribution does not appear to me to be of any value.

Water supply: I cannot conceive what is meant by 'careful geographical grouping' in this connection.

Maintenance, renewal, plant and machinery:

There is certainly room for a small saving here, but there is a move already towards standardization, while the saving under 'loose tools and spares' is much less than appears at first, since an estate in full production cannot afford to be slowed down for any time and must keep the essential spares on hand.

Office overheads:

Estates owned and run in this country do not keep London offices but only agents who are paid for the sale of fibre and purchase of material on a commission basis.

Secretarial fees:

These are down now almost to bedrock, while I have commented on Directors fees.

Research Laboratory:

I do not believe this would be feasible, and consider the combined research scheme, which is now being put forward by the Hard Fibre Section of the British Empire Producers' Organization in conjunction with the Associations of Kenya and Tanganyika, to be much more satisfactory.

5. I cannot imagine that well managed estates who are not in any financial difficulty would agree to a cess of 5/- per ton of sisal produced to cover loan charges on loans made to other estates - this would be a decided drawback to such estates entering any such merger. I also imagine it would be extremely difficult to put the proposed uniform method of purchase into operation, and I also consider that a system of uniform valuation would be extremely difficult, since there are so many features apart from the ordinary ones of acreage and equipment to be taken into consideration, such as efficiency, geographic location, type of soil, grades, water supplies, power supplies and quality of sisal produced.

6. To sum up, while I agree that some form of rationalization may prove necessary if sisal prices remain as they are, and in fact is urgent in the case of many estates today, yet I feel that this scheme is going to be very difficult to put into operation and very unlikely to appeal to the efficient estate. A great deal more thought in the matter of detail is necessary before it can be really considered.

I regret that my reply is so delayed, but did not realize that there was any urgency, and trust that you will understand that I have been very busy the last few days, and that I have really not been able to give as much consideration to this memorandum as I would have wished.

I am,  
Yours faithfully,

Sd. M. Maxwell.