

1923

KENYA

C.O
31367

FROM
VILLIERS, MAJ C.H.

DATE
22nd JUNE 1923.

REC'D
REL 25 JUNE 23
512

FOR CIRCULATION—

SUBJECT

Mr.
Mr.
Mr.

MAGADI SOBA CO. LIQUIDATION.

Asst. U.S. of S.

+ *Sm. H. [Signature]*
9/11/23

Reviews history of Company and states reasons which have contributed to present position. Indicates lines along which a way out of difficulties may be found.

Per U.S. of S.

U.S. of S. 10-7-23

Secretary of State.

Previous Paper

Dec 30910

MINUTES

This really adds nothing to what Colonel Villiers had told us in conversation, and since writing he has called again and done little more than repeat the same points.

He told me, however, that Mr. Pennell, ^{the} shareholder who made a fuss at the meeting of June 18th, was hopelessly impossible, and that the efforts which he himself was making had nothing to do with Mr. Pennell. He said, as he had said before, that the terms on which he understood Messrs Cull & Co. were prepared to undertake the underwriting (4% plus 1% overriding) were quite ^{impossible} ~~impossible~~ for this kind of business, and could only have been contemplated on the assumption that the reconstruction would break down and that the underwriters would enter into the property. I do not think

Subsequent Paper

S
32814

that

that they would get much out of this, because the Government's right of re-entry will not be relaxed until reconstruction is complete.

Colonel Villiers was definite that Messrs Brunner, Mond & Co. would not be prepared to take a financial interest in the new Company. He considered, however, that they would be willing to come to a working agreement as to dividing the world's ^{Soda Market} traffic, and he considered that reconstruction should proceed on those lines. If there was no question of a fight with Messrs Brunner, Mond, there would be no question of anything like £500,000 capital being necessary. There would be no question of prices being cut, and therefore (as it seems to me) no necessity for any specially favourable freight rates to be given by the Government.

Colonel Villiers' scheme is to insist on an independent expert committee going to East Africa and advising definitely as to the technical processes for extraction, cleaning etc., which should be adopted.

With reference to Mr. Marriett's request that he should have an opportunity of meeting

Sir

Sir R. Coryndon and his Executive Councillors now in London, I mentioned this to Sir R. Coryndon, but he considered that in the first place it would be best to use Lord Delamere's acquaintance with one of Messrs. Brunner, Mond's agents to find out, without committing the Government in any way, what that firm's attitude was likely to be. When Sir R. Coryndon made this suggestion, I got your concurrence in his proceeding as he wished, and we must await the result.

6/15
2.7.23
Patton advised that Col. Villiers
left on 2nd July.

On Wednesday & Thursday
Mr. Marriett called by post to
before going to Antwerp. He
said that he had had a
"suggestion" & that he
was not to suppose that he
was taking any plain proposal
under his own hand.

About 10 days ago Sir H.
Laggett told Col. Villiers
"I have been given to
Brunner Mond. Show it."
Col. Villiers has satisfied himself
that

That it is not so, but is there
anything in it?

Dr. R. Congdon, on Thursday,
has not definite to report the
agreed with us that any trees
we accepted should include
a guarantee of height of
perhaps 100 feet or more 160,000
trees - 700 (mostly produced
or not) within 2000 ft.
land - 12 acres or 18 acres.

W.C.
7723

Dr. Smiley - fore

We can only wait
develop to ?

(Dr. J. Stevens to J.R.
see on his return) 9/10/23

seen 10/7/23

that it is not so, but is there
anything in it?

Dr. R. Ferguson, on Thursday,
has not definite to report. He
agreed with me that my lines
be accepted should include
a payment of payment of
profits & royalties due on 16,000
lines - you (Master produced
next) within reasonable
time - 12 months or 18 months.

W.C.S.
7723

It is hereby fore
be an only wait
develop to

W.C.S. to (9/15/23)
see in the return)
W.C.S. 7723

June 22nd 1923.

514

Dear Mr. Bottomley,

I think it may be useful to you if I give you all the information I have re Magadi Soda, and the history as I knew it from my position on the Board.

Railway.

I think the railway was well built but there was too much delay re the contract with Messrs Pauling. The contract was not signed until Sept. 1910 and the Company had been formed in January of the same year.

Management.

Neither the Samuels nor the Manager Symms - had any knowledge of Soda or the Soda trade, East Africa or the management and engineering knowledge required for this business and they have relied in East Africa on Chamber and in London on Marriott.

All methods for getting out the soda have failed, namely Pontoon and Cutter Grabs - dredger - it is very doubtful whether any dredger can get the clean soda only, and in any case the dredger sent out is too large and has too great a draft, it is probably the wrong cut of dredger altogether.

Symms was inclined to be very extravagant and wasted money on a saloon railway carriage in ^{which} he lived a great deal and entertaining. He also built an elaborate settlement at Kajiado at great cost which has now been abandoned and also an expensive house for himself on the Coast at a cost of about £15,000 and was very extravagant in the building of the Kilindini works etc.,

It is difficult to say what this extravagance cost the Company but I should put it at not less than £150,000. Land and works were purchased and built on the Manchester Ship Canal. These were never required.

Land was bought in Japan. This was never required.

The

The Samuels would never listen to any advice from the
Werner Beit or Director or myself, and when the contract
with Japan was made the former left the Board as soon as
they heard of it. 515

I very nearly retired but my lawyers advised me to
remain as my friends had so much money in the Company.

During 1921 and 1922 I thought they might pull the
business through and I think if the dredger had worked
satisfactorily and they had been able to get out clean soda
they would have got through.

Samuel Samuel has always been very keen and of course
backed the business by lending the Company or rather
guaranteed the overdraft in London up to £200,000 and in
India up to £70,000 but Levy and Walter Samuel always
dominated the business and I think there is no doubt that
during last year Levy was gradually getting tired of the
business and sold his interest about 80,000 shares selling
30,000 during the week of the annual meeting in December
last.

Where I blame the Samuel firm is that they have known
that owing to mistakes made under their management the
Company could not pull through in the face of competition
from the Soda Combines unless a great deal of working
capital was found in order :-

1. To put in order and duplicate the machinery
2. To carry on experiments re cleaning the soda
3. In order to have reserve funds to withstand the
attacks and lowering of prices of the soda
combines.

But they refused my offer last year to find the
necessary money saying they would find it on terms which
would be fair to the shareholders.

They repeated this publicly to the shareholders but did

not do it and so far as I am aware did not make any attempt to find the money.

But becoming more and more alarmed definitely made up their minds to throw up the business last January, but only told the Board at the end of February and threw it on to the Debenture holders the next day making excuses about Income Tax and Debenture Interest which are obviously incorrect. 516

Their policy has been one of secrecy and hesitation unfair to their Company Directors and the shareholders in fact they have never given the shareholders a chance.

The shareholders know nothing about the property of the cause of the failure.

And Mr. Samuel told them at the meeting this week "you must follow us because if you do not we shall shut the business down and lose the World markets which we have already gained." This remark was not only incorrect but a very stupid remark to make as it is well known to many shareholders that all work was stopped at the Lake and there is practically no output of soda and has not been since February last.

Of course at the meeting held this week when a Vote was taken I took no part against the Samuels in the way of informing my friends and getting their promise in order to defeat the Samuels as I did not retire until the last moment and only when I was quite certain that in order to get out themselves and get some of their money back they were going to produce a scheme which might perhaps reduce the size of the Capital but which would give themselves shares in a new Company which they would be able to handle and put to a premium and then get out.

My feeling is very strongly that as the property is shut

shut down and the debenture interest is passed nothing should be done in a hurry.

The shareholders should be told the exact position and a committee should be formed consisting of first class business men who should concentrate on 2 points. 517

1. The difficulties in East Africa
2. The Soda Combines Competition.

If an arrangement can be made so that the railway will help in the case of unfair competition and the combines know this there will be no fight and it will be possible to make some arrangement.

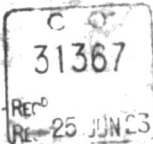
Once an arrangement is made with the Soda Combines the amount of money required will be ^{very} much less as the business can be built up gradually.

In this case the money can be found on much easier terms and the shareholders 8000 in number who have borne the brunt will have a deferred interest.

This is what I am working for and if I add my proxies and my friends proxies to those already held namely 350,000 by the discontented shareholders no scheme can be passed by the Samuels as the majority will be with us - as quickly as possible we shall call another shareholders meeting and I will inform you early next week of the next step.

Yours sincerely

(Sgd) C.H. VILLIERS



June 22. 23.

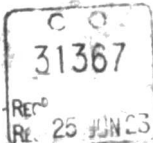
for Bottomley

I think it may be ~~worth~~ to you if I can give you the information I have in regard to this. I have the history as I know it from my position on the Board.

Railway. I think the Railway was well built, but there was too much delay in the contract with Messrs Peaking. The contract was not signed until Sept. 1910, and the Company had been formed in January of the same year.

Management. Neither the Members nor the Managers (you are) had any knowledge of India or the India Trade. East Africa or the management & Engineering knowledge required for this business. I they have relied on East Africa in London & in London on Marriott.

All mistakes for getting out the India have failed, namely Portman & Carter, Gables, Dwyer, it is very doubtful whether any manager can get the India India only, & he may have the Dwyer sent out in too large - & he has the part & thought it is probably the wrong sort of Dwyer altogether.



June 22. 23.

Dear Mr. Bottemley

I think it may be ~~difficult~~ to give you all the information there is regarding today. I the history as I know it from my position on the Board.

Railway I think the Railway was well built. but there was too much delay in the contract with Messrs. Peabody. The contract was not signed until Sept. 1910. and the Company had been formed in January of the same year.

Management. Neither the Lambeles nor the Smalleges (I guess) had any knowledge of India or the India Trade. East Africa or the management & Engineering knowledge required for the business. I they have relied on East Africa - Columbus & the London & Merritt.

All mistakes for getting out the India have failed. namely Position & location. Goods. Budget. it is very doubtful whether any budget can get the cheap India only. I do not know the Budget sent out is too large. I have too part & weight. it is probably the wrong kind of Budget altogether.

2
 I suppose was intended to be very extravagant, to be used in
 in a Nelson Railway Company in it: he kind to put down
 & take down. He also built his elaborate settlement at
 Kajiado. At present it has been abandoned.

It was an expensive house for himself in the least. It
 cost of about £15,000 & was very extravagant in the
 building of the Kajiado house etc.

It is difficult to say what their estate was worth but the Company
 but I should put it at not less than £50,000.

Land & Works were purchased & built in the Indian
 Chief land. There have been required

Land was bought in Japan. There have been required.

The Company would have written to my address from the
 but I never had a British Director or myself. I was the last
 with Japan was made. The former left the Board as soon
 as they heard of it.

I was very much satisfied but my charges advised me to
 remain as very friendly had to send money to the
 Company.

During 1921 & 1922. I thought they might pull the
 his men through and I think if the Budget had worked

Vita factory, & they had been able to get out their losses they would have got through.

It is not correct to say always been my plan. I of course backed the business by lending to the company & within guaranteed the mortgage in London of £200,000. & in India of £75,000. Mr. Levy & Walter (went) always dominated the business.

I think there is no doubt that during last year Levy was gradually getting tired of the business - & told him to front about 80,000 shares, selling 30,000 during the first of the annual meeting in December last.

When I blame the Board for it that they have known that owing to mistakes made under their management the Company could not pull through to the face of competition from the India Corporation unless a part deal of working capital was found. in order

1. To put in order & duplicate the machinery
2. To carry on experiment in clearing the works
3. In order to have reserve funds to with stand the attacks & lowering of prices of the India Corporation.

Notes (partly) & they had been able to get out clean & so they would have got through.

How and I am not sure how long have been very keen. & of course looked at the business by looking at the Company & latter part of the middle of the London of £2,000,000. & in India of £1,000,000. & they & Walter (parent) always dominated the business.

I think there is no doubt that during last year they were gradually getting things of the business - & I told her in front of the Board - 80,000 shares. & they 30,000 during the week of the General Meeting in October last.

When I blame the Board I mean in that they have known that owing to mistakes made under their management the Company could not push through to the face of competition from the India Companies unless to great deal of working capital was found. in note

1. To put in note & duplicate the machinery
2. To carry on experiment in clearing the books
3. In order to have reserve funds to with stand the attacks & demands of parties of the India Companies.

But they refused any offer last year to find the necessary
money, saying the bank paid it on terms which would be paid
to the shareholders.

521

They repeated this publicly to the shareholders, but did not
do it - in so far as I am aware - made any attempt to find the
money.

But becoming more & more alarmed, especially made up
then besides to ^{know} through of the business last year, they
only told the Board at the end of February & then at
in to the shareholders holding the best thing, making balance
about in connection & of education. Instead of the shareholders
in correct.

Their policy has been one of secrecy & hesitation - neither
to them, to the Directors & the shareholders; in fact they have
never given the shareholders a chance.

The shareholders knowing nothing about the property
in the course of the purchase.

And Mr. Jackson, told them at the meeting that he had
"You would follow as because if you do not we shall
sell the business down & lose the whole market
which we have already secured."

But they refused my offer last year to find the necessary money, saying the bank paid it on terms which would be paid to the shareholders.

521

They repeated this yesterday to the shareholders, but that I told it is 10/100 for I am sure, made any attempt to find the money.

But becoming more & more alarmed, I finally made up ^{my} mind to through of the business last year & say, all my stock be paid at the end of February & I shall do it to the shareholders the best way, making balance sheet in conformity to obligations. I think this is ⁱⁿ ~~correct~~ ^{correct}.

This policy has been one of secrecy & hesitation on the part of the Board & the shareholders, in fact they have never given the shareholders a chance.

The shareholders knowing nothing about the progress of the course of the business.

And Mr. Samuel told them at the meeting that he had "You would follow us because if you do not we shall shut the business down & lose the whole market - but we have already gained."

This remark was not only incorrect but a very stupid
unpleasant remark. As it is well known to every shareholder
that all work was stopped at the Lake & there is practically
no prospect of work. I have not been since February last.

If some of the meetings held this week when a vote
was taken I think we fought against the Shareholders & the
body of the firm of my friends & getting their property
in order to defeat the Shareholders. We should not return until
the next moment & my share I was quite certain that
to make legal suit there 5000 & get some of their money
back - they were going to purchase a scheme of a night
perhaps reduce the size of the Capital - but we should
give them 5000 I have in a new company. I think they would
be able to handle & put to a premium & then get out.

My feeling is very strong that as the property is
short - & the Shareholders interest is placed in their
I should be able to do very.

The Shareholders should be told the actual position.

and a Committee should be formed consisting of four men
for each side. Who should be contacted in 2 forms 523

1. The difficulties in East Africa.
2. The Trade Commission Committee.

If an arrangement can be made so that the Railway will
help in the case of any further Committee in the Customs House
then there will be no fight & it will be possible to make some
arrangement.

Other an arrangement is made with the Trade Commission
The amount of money required will be very much less.
as the business can be built up gradually.

In this case the money can be found in some cases ^{some}
of the shareholders. \$5000 in number who have brought
the board will have a disposal interest.

That is what I am looking for. If I add any
proposals & any further provision to those already held
having 350,000 by the discontented shareholders, the
scheme can be financed by the Government. as the majority
will be with us. ^{quicker} as far as possible we shall call another
shareholder meeting. & I will inform you very soon of the next step.
Yours sincerely
W. H. Williams

and a Committee should be formed consisting of four men
for each side who should confer with a 2nd party.

1. The difficulties in that respect.
2. The India Company's benefit in

If an arrangement can be made so that the Company will
help in the case of any future competition & the Customs House
then there will be no fight & it will be possible to make some
arrangement.

Other an arrangement is made with the India Company's
The amount of money required will be very much less.
as the business can be built up gradually.

In that case the money can be found in some easier terms
to the shareholders. 50000 is number who have brought
the board will have a different interest.

This is what I am looking for. If I add any
proposed & any present provision to those already held
having 350,000 by the disinterested shareholders the
scheme can be found by the Government. as the majority
will be with us. ^{quicker} as far as possible to shall call another
shareholder meeting. & shall return for your support of the best self
Yr. Obedient
C. Hillman

Folly Court,
Wokingham,

524

29th June 1923.

Dear Samuel,

I am writing to refer you to the statement which I made at the Shareholders' Meeting on the 18th inst., and the suggestions which I put forward that an independent committee, composed of business men among the shareholders, should be formed to go into the whole question of the future policy with regard to the Company, and that the Debenture holders, as well as the Colonial Office, should be represented on that Committee.

I am now going to ask you to agree to that suggestion, as undoubtedly it would be better for everybody concerned that you should do so, and you will remember I particularly laid stress on the point that if the Magadi proposition is to be successful everyone, shareholders and debenture holders, must pull together.

I strongly advise you to agree to this suggestion and I hope you will let me have a reply to this effect early next week.

If I do not hear from you I shall be obliged to inform my friends that I have left the Board.

I wish all the shareholders to clearly understand that I consider after the many years I have been connected with this proposition that the only possible course which can make the Magadi Soda Company a success in the future is that we proceed upon the right lines, and to ensure this plan it is essential that an absolutely independent Committee of Shareholders and the Colonial Office should have the opportunity of examining and criticising and approving any scheme before it is submitted to the shareholders.

Yours sincerely,

SHELL HOUSE,

27, Bishopsgate, E.C.2.

July 2nd, 1923.

Colonel Villiers,
Folly Court,
Birmingham.

Dear Villiers,

I have your letter of the 29th, but fail to see what good a Committee of Shareholders can do. I have been working very hard on the Magadi proposition and hope to have a very good scheme, which involves a complete investigation from every point of view as part of the scheme.

As you have already informed the world in general of your resignation, I presume that your friends need no further information on the subject. Your action in resigning was a very extraordinary one in my opinion. I am still rather in doubt as to your exact motives.

Yours sincerely,

(Signed) WALTER H. SAMUEL.

Folly Court,

Wokingham.

6th July, 1923.

Dear Samuel,

In answer to your letter of July 2nd in which you say that my action in resigning was very extraordinary and that you are still in doubt as to my exact motives, I thought I had already explained my position fairly clearly, but if you still do not understand I will set out my position again.

My principal reasons for leaving the Board were:-

- (1) That I could not remain a Director of the Company when matters so vital to the shareholders' interests were decided and acted upon without the knowledge or approval of the Board
- (2) That I was not prepared to see the shareholders' interests sacrificed or in effect wiped out for the benefit of anyone - Debenture holder, creditor, or guarantor, and I wish that the shareholders shall not be asked to find a penny more money than is absolutely necessary to ensure, so far as we can humanly ascertain, the success of the Company.

I still think you should agree to the Shareholders' Committee of business men and if you do not have such Committee's approval of any scheme before it is put forward you will find yourself faced with an almost impossible task of getting the main body of shareholders, who, I may remind you, are now in opposition to you, to agree.

Yours sincerely,

Folly Court,

Wokingham.

5th July, 1923.

Dear Samuel,

In answer to your letter of July 2nd in which you say that my action in resigning was very extraordinary and that you are still in doubt as to my exact motives, I thought I had already explained my position fairly clearly, but if you still do not understand I will set out my position again.

My principal reasons for leaving the Board were--

- (1) That I could not remain a Director of the Company when matters so vital to the shareholders' interests were decided and acted upon without the knowledge or approval of the Board
- (2) That I was not prepared to see the shareholders' interests sacrificed or in effect wiped out for the benefit of anyone - Debenture holder, creditor, or guarantor - and I wish that the shareholders shall not be asked to find a penny more money than is absolutely necessary to ensure, so far as we can humanly ascertain, the success of the Company.

I still think you should agree to the Shareholders' Committee of business men and if you do not have such Committee's approval of any scheme before it is put forward you will find yourself faced with an almost impossible task of getting the main body of Shareholders, who, I may remind you, are not in opposition to you, to agree.

Yours sincerely,

Letter left by Col. Williams 6/7
Not yet read by the Board of Directors

Dear Sir (or Madam)

At the shareholders' meeting which was called on June 18th I made a statement which I think it is right I should take every opportunity of laying before all the shareholders of the Magadi Soda Co., Ltd., concerning which there has been so much controversy during the last few months.

I have felt myself obliged to resign my position as a Director of the Magadi Soda Company, although I have been connected with the proposition for over twenty years. I was one of the pioneers of East Africa in 1892 and have been closely connected with that country ever since.

With regard to the Magadi Soda proposition itself, I am not qualified to criticize the same, but during several years I collected all the information upon which the Company was formed, and this information has proved after all things to be correct. With all my experience and with the knowledge which I have gained I am convinced that you have a property of great value.

Now I wish to inform the shareholders, who I believe amount to nearly 10,000 in number, and it is my duty to inform them as they have found this large sum of money for the development of the Magadi proposition, why the Company has failed up to date, why there has been so much delay in finding sufficient working capital, and how it is the company finds itself in the hands of a Receiver, and what with my knowledge and several years' experience I consider to be sound lines on which to proceed in the future.

In giving you this information I wish as far as possible to avoid personalities. My object is solely to let my friends and the shareholders know

the exact position from the date the Company was started until the present time. Mistakes have undoubtedly been made, and mistakes have been made with most propositions of a similar sort in Africa. It is not my object to rake up the past, but solely to give you such information that you can form your own opinion in order that the business may be carried on on sound lines in the future.

In the first instance the firm of Messrs. M. Samuel and Co. were appointed managers and salesmen, with a commission on sales, which commission I believe has not been taken advantage of up to date. On the average there have been only eleven Board Meetings each year, except during the four years of the war, and the Board Meetings lasted from half an hour to one hour. For a short period owing to a protest by myself Board Meetings were held fortnightly but after a short time they were reduced to monthly. Very little correspondence in the meantime was sent out to the Directors. Consequently the management and sales department have been absolutely in the hands of Messrs. M. Samuel and Co., who had a very stringent agreement over a term of twenty years.

The firm of Messrs. M. Samuel and Co. consisted at that time of Mr Samuel Samuel, Mr Walter Samuel, and Mr W. H. Levy, and I wish at once to put the shareholders right on one point. The Shell Transport and Trading Company has never had anything to do with the Magadi Company, so far as I know, either directly or indirectly in any way whatsoever. The fact that Messrs. Samuel and Co. were manager and on the Board of the Magadi Company in no way involved the Shell Company in the Magadi undertaking. The money for the starting of the Magadi Company was guaranteed by other large business firms in the City. I mention this because there have been continual rumours, particularly when the Debenture

issue was made, that the Shell group were behind the Magadi proposition.

As time went on the management fell more and more into the hands of Messrs. M. Samuel and Co., and the officers whom they appointed both in East Africa and London to control the business. There were undoubtedly many mistakes made in East Africa and much unnecessary extravagance. These, however, are mistakes which are common to many other enterprises and particularly to enterprises in such distant countries as Central Africa with a Board situated in London where a letter may take anything from a month to six weeks, or even more. The Samuels were very unfortunate in their appointments. The fact that Messrs. M. Samuel and Co. were in this very strong position as managers when these mistakes came to be recognised caused great dissatisfaction among the Directors outside the firm, and although I did not discuss with those Directors at the time the reasons for their leaving the Board, I have since heard from some of them that they left because they did not consider that they had enough information given to them or enough power to check what was being done.

The final blow was given to this position when it was found that a contract had been made to supply a Japanese firm with 70,000 tons per annum for ten years without the consent or knowledge of the Board, on terms which it turned out later were quite impossible for the Magadi Soda Company and must cause its failure for two very separate reasons. The terms I will give; they were: £3 per ton f.o.b. Kilindini, plus half any saving in the freight, taking the freight at 35/-, plus half the profits made in Japan.

Now at the time that contract was made the output from Magadi was extremely small, about 500 tons a

week - under 100 tons a day, and owing to the heavy standing charges, the working costs of putting this soda ash into Mombassa varied between £4 and £5 per ton. Therefore unless there was a big rebate to come back on the freight, and a big profit from Japan, the Company on this output was bound to make a loss of nearly £2 per ton, and then in addition there was the almost certain contingency that when such a contract became known - and it was almost certain to become known because the soda combines have agents and friends in all parts of the world, and particularly in Japan - all they would have to do would be to cut under this price by dumping soda in Japan at anything under £5 per ton; or even £5. 10s. or £6 per ton would leave no profits to come back from Japan, and this actually took place as the soda combines made an alliance with the shipping lines, and although they were selling soda on the London market at a price varying from £7. 10s. to £9 per ton, and in South America as high as £9. 10s. per ton, and even in prewar days in India the price varied from £6 to £7 per ton, they dumped a very large amount of soda into Japan at round about £5 per ton and knocked the Magadi contract to pieces. The only possible way in which the Company could now be saved was to increase the output and get the Japanese to let us off part of their contract, as we were tied down to them for a large amount of soda which we were unable to get out. We were tied to Japan for 70,000/^{tons} per annum and we were getting out in 1921 and 1922 about 35,000 tons.

The Japanese sent out people to Magadi to report on the position there, and they said they were willing to meet us in every possible way. They therefore allowed us, by a verbal arrangement made in June, 1922, to only send them 15,000 tons instead of 70,000 and we were consequently able to send small parcels of soda to other

parts of the world, but only small parcels just sufficient to test the markets - not enough to secure any markets - because our greatest output was only round about 1,000 tons a week, sometimes only half that amount. These parcels were sent to South America, Australia, Sweden, Norway, London, Newcastle, Germany, Denmark, India, South Africa, and other places.

We had thus to a small extent freed ourselves from the Japanese bogey, and if we could only have increased our putput the situation might even then have been saved, but unfortunately we had then further disasters.

From time to time many parts of the machinery had been going wrong. In fact the machinery on the Lake and on the shore had never really worked in unison together, when we suddenly found that the dredger, ~~was~~ which there had been considerable delay, because in the first place it was put together too near the shore and had to be taken to pieces again and put together further out, would not work satisfactorily. The delays with this dredger lasted for a period of as much as a year and a half (the whole of 1921 and half of 1922), and then finally to our consternation when it was got to work (in September 1922) we found that its draught was so great that instead of taking off the top layers of clean soda, which is generally supposed to be from 6 inches to 2 feet in thickness, the dredger was taking up 4½ feet of soda and bringing up with it a vast amount of mud and impurities. Of so disastrous a nature was this that for the last 20,000 tons of soda despatched in these small parcels all over the world, we have had numerous complaints and in some cases, particularly in India and Australia, it has been unsaleable and it is not yet sold. I was not informed and did not know the true position of the dredger and the sales until the Board

Meetings held in January and February, 1923.

There is, however, a curious point in connection with this question of impurities and colour. We have always known that the colour of the soda ash from the Magadi proposition was not equal to the white product turned out by the ammonia soda process, but we have always believed, and we believe now, that the colour is not really of great importance, or of any importance in manufacturing, as it can be used for all purposes without interfering with the particular manufacture for which it is required, but the fact that it is not quite so good a colour as the soda artificially manufactured from salt has been, and no doubt will be in the future, used against Magadi soda by the agents who wish to sell the manufactured article in opposition.

These difficulties and the fact that we were paying Debenture interest all the time were rapidly eating into our resources, and it became quite obvious in the middle of 1922 that we should require more money. I myself then wrote Messrs. Samuel and Co. and suggested that I should help in raising further working capital, as otherwise I could see no future for the Company. I repeated my offer in October and again in November, and before the annual meeting which took place on the 11th December I wrote Messrs. Samuel and Co. and stated that I thought that we should be as open as possible and tell the shareholders everything in connection with the Company, that I considered that our competitors knew everything about the Company and our working costs to a halfpenny, and therefore there was nothing to conceal, and that secrecy would kill the Company, but publicity would save it. Mr Samuel made a very optimistic speech at the meeting, told the shareholders he would underwrite

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from £50,000 to £100,000, and that a scheme would be formulated immediately, but he really told them nothing.

As I before pointed out, Board Meetings were held monthly, although I had asked for two a month, and the next Board Meeting was due 5th January, when I expected the scheme to be formulated. This was not done. At that Board Meeting we found out certain facts about the management in East Africa, which alarmed us very much. There was another Board Meeting called for the beginning of February, when I for the first time found out they were having difficulties with regard to sales. At each of the Board Meetings I asked for the scheme which had been promised the shareholders. About the middle of February I received an invitation from the Secretary of the Company to attend a lecture on Maguire and a cinema film shown near Leicester Square and I was invited to bring my family. I attended and I found there were so many people that two separate performances had to be given. There were a large number of shareholders and men from the Stock Exchange. These performances took place on Friday, the 23rd February, and on the Monday, the 26th February, a Board Meeting was called for the following day, February 27th. I expected, naturally, that a scheme would be formulated, but instead of the scheme to my astonishment a letter which had been written to Sir David Yale at the beginning of January was laid on the table, together with a cabled reply, and this letter stated that the Samuel firm wished to place the affairs of the Company in the hands of a Receiver. We were simply amazed.

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I objected to this and there was a long discussion, and eventually it was agreed that I should formulate a scheme and place it before the Board, and

that the Company would not be placed in the hands of a Receiver until this had been done and considered. When I left the Board Room one of the Directors, Mr Simons, turned round to me and said:- "Colonel Villiers you have done good work this afternoon; you have prevented this being done; of course, these people cannot do this".

I went straight back to my Club and spent the whole evening formulating and writing out a scheme, and I posted it off to Captain Walter Samuel that evening. I received no answer to my letter and, not returning home until Friday, on my arrival home I was amazed to find a letter calling a Board Meeting for the following Monday in order to consider the position of the Company because it had been placed in the hands of a Receiver, and on the Saturday morning it appeared in all the newspapers.

I attended the meeting on the Monday, and Mr Samuel Samuel was the only member of his firm present. We three Directors who did not belong to the firm were extremely annoyed at what had been done, but at the same time I did not wish, for the sake of the Company, to leave the Board and have a public row. I therefore did the only thing I could; I offered to formulate a scheme and to find the money to put the Company right. My offer was accepted and put on the minutes. I therefore formulated a scheme in conjunction with Mr Tait, the Receiver. A Board Meeting was held and the scheme was accepted, and I proceeded to see my friends and get it underwritten. This scheme would have been quite fair to the Ordinary shareholders and to the Deferred shareholders; they would both have maintained their position. Suddenly I received a telephone message asking me to see Captain Walter Samuel. I did so, and he stated that he was

going abroad and would be back shortly after Easter, and asked me to mark time until his return after Easter. I agreed to mark time so long as the people I had spoken to and who had promised to underwrite should be brought into any future scheme. I asked him whether he had a scheme of his own that he wanted eventually to put through and he said no, but that he thought Mr Tait had. Captain Samuel did not return until the middle of May, but it came to my knowledge that he had been to an issuing house and had attempted to get some scheme of his own underwritten, without saying a word to me or his co-directors.

It also came to my knowledge that he was having private interviews with the Directors of Messrs. Brunner Mond and Co. On hearing of this, I at once wrote to him and I told him I did not consider that he, as a Director of the Company, should have these private interviews at this time. These negotiations, I thought, at the time came to nothing, and I happened to meet Mr Tait in the street. He said Mr Pennell had been making himself most disagreeable and had evidently got large support, and they did not know what to do. I remarked I was always willing to bring them people who I thought would be able to underwrite some scheme which would be offered to the shareholders and would be fair to the shareholders, and I complained of Mr Samuel's tactics. They asked me to introduce a firm; I gave two names and he selected one. Captain Walter Samuel immediately had further secret negotiations with a second firm which were introduced by my friends, and later called a Board Meeting at which he put forward a scheme, which, in my opinion, could only have one result, viz., to wipe out all the shareholders. The scheme was to reduce the £1 shares to 10/-, issue

them back to the shareholders with an 8/- liability, and to give the Deferred shareholders the right to subscribe for one of these 10/- shares with its 8/- assessment for every twenty Deferred shares held by them, and to give the Samuel firm Preference shares for the money they had guaranteed. I was later informed that the scheme was underwritten for the small amount of 4 per cent.

I objected to this scheme and said I objected particularly to the Deferred shares being wiped out. I wrote Mr Samuel to this effect and received the following reply:-

Shell House,
Bishopsgate, E.C.2.
7th June, 1933.

Lt. Col. C. H. Villiers,
Folly Court,
Wokingham.

Dear Sir,

Reverting to your letter of the 4th inst. to the Chairman, I write to inform you that this was duly laid before the Board Meeting yesterday.

I am now instructed to point out to you that under the Reconstruction Scheme considered by the Board at the Meeting of the 1st June last, to which you refer, provision was duly made for the existing Deferred Shareholders who were to have the right to apply and to be assessed for Ordinary Shares on the basis of 1/20th of their holding of Deferred Shares. You will see from this that there was no intention to wipe out the Deferred Shareholders, who have been provided for on the lines I have indicated above.

I am, dear Sir,

Yours faithfully,

(Signed) G.M.PAY

Secretary.

I was very suspicious about this scheme because of the negotiations with Messrs. Brunner Mond. I was not certain that some offer had not been made to the Debenture holders and I thought it/^{was}quite possible that if such offer had been made the Debenture holders would accept it, subject to their being able to get the shareholders to agree. One way to get the shareholders to agree would be to form a new company with a very

heavy assessment; the shareholders would not subscribe and the underwriters would then be left with the property. In the case of this scheme of Captain Walter Samuel, I hold a letter from the brokers informing me that it was to be underwritten for a five per cent. commission. I could not help putting two and two together and I said to myself if this is going to be underwritten for a five per cent. commission there must be something more behind that I know nothing about.

I therefore resigned as I felt that I could no longer be of any use to the shareholders. I have since been told - I do not know whether it is true or not - that some private arrangement does exist with one of the large soda manufacturers.

These are the plain bare facts of what has happened with no embellishments of any sort whatever. The shareholders can now judge for themselves why after twenty years I felt myself obliged to leave the Board, why I remained so long as I did, and why I strongly recommend them to join in any scheme which insists on a committee of business men from among the shareholders being formed, and upon which I have every reason to believe the Government will wish to be represented.

Now for the future. My ideas about the future are that it is no good putting up money in this proposition to fight the soda combine. The money that is required in the future is not a very large amount. It is required to put right one part of the machinery only, viz., the part of the machinery that is required for cutting the soda out of the lake. The calcining plant is extremely simple, with an ordinary revolving furnaces which work quite well, and there is no reason why it should not work well in

the future. The railway is built, arrangements for the water are made, a pier is built at Mombaasa, and in fact everything is ready except this one part of the plant that is required for cutting the soda out of the lake.

I am very strongly of the opinion, and it is not only my opinion but I know it to be the opinion of some of the skilled directors who left the Board some time ago, that not one penny should be put up for this company until an expedition consisting of the best engineers that can be found, is sent out to finally decide upon the most economical method of winning the soda. Once this is done there is absolutely no reason why the soda should not be put into Mombassa at a price of about £2. 5s. to £2. 10s. per ton, the present market price in this country being £7. 10s. per ton. The prewar price in India was, as I have said before, from £6 to £7 per ton. We have actually been selling our soda ash in South Africa at prices varying from £7 to £9 per ton, and in South America at similar prices.

We may have to take at the commencement 10/- per ton less than that paid for the manufactured soda on account of our colour, but when our soda is thoroughly well known the opinion of good chemists is that users will just as soon buy Magadi Soda as any other.

There is one other point. From the Magadi soda a washing powder can be made which is exactly the same article as the washing powder used in every house. That powder can be produced at less cost than the soda ash because it would only require half as much calcination. That powder I have used in my own house, and it has three times the strength of the ordinary washing soda, so that instead of taking a

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handful when washing up plates, etc., you can take a pinch with your fingers and it has the same effect. Now this washing soda can be used for every purpose that the ordinary soda crystal is used today, and the soda combine cannot compete against it, because they cannot make it.

Finally I must correct a statement made by the Chairman at the meeting which was called at the instance of the discontented shareholders. One of the arguments used by Mr Samuel as to why the shareholders should follow his firm in any reconstruction was that if they did not do so the property would be shut down and they would lose the markets of the world which they had gained. I regret very much indeed that I am obliged to point out that this was a very unfair statement to make to the shareholders, because the property was shut down last February owing to the breakdown of the dredger and the fact that there was no more money to go on with. The staff was cut down and Colonel Symonds, the Manager, was even ordered home. I believe that the ordering of Colonel Symonds home has now been cancelled temporarily, but there is no work proceeding at Lake Magadi and there has been no production of soda for many months past, and no markets of the world have been secured in any way whatsoever.

There was at the end of March 19,000 tons of dirty soda which had been cut by the dredger and this was at one time valued at £126,000. Attempts are being made to sell this soda as a set-off against the debts of the Company outside the £270,000 which is owed to Lloyds Bank, Ltd., which holds second Debentures for the amount and which has been guaranteed by Mr Samuel. Before I left the Board I understood it was very doubtful

whether this soda would realise £126,000 at which it was valued, but this is not keeping open the markets of the world.

The following are the estimated liabilities of the Company outside the £500,000 Debenture debt, £200,000 owed to Lloyds Bank, Ltd., and guaranteed by Mr Samuel, and £70,000 owed to banks in India and also guaranteed by Mr Samuel:-

East Africa	£89,000
Gunny Bags	10,000
Deb. Int. Tax	17,000
Bank Interest	2,000
Enemy Debts	10,000
Calcutta	8,000
Plant	4,000
Sea Freight in London	8,000
	<u>£148,000</u>

This as set out is £500,000, plus £270,000 guaranteed by Mr Samuel, plus £148,000 estimated liabilities, less stock of soda £126,000 not yet realised.

The following are sales I have taken from the Company's figures which were placed before me. The sales summary for the last three months (that is December, January and February) shows that the average price f.o.b. Kilindini was £3. 16s. per ton, including the Japanese contract, and the working costs excluding the London Office expenditure, was £3. 8s. per ton, but if you exclude the Japanese contract then the average price f.o.b. Kilindini obtained on the remaining sales for the above period would be £5. 7s. 6d. per ton, showing a profit of nearly £2 per ton. So far the results have been from a small output, the output of soda ash having been as follows:- December, 1922, 5,348 tons; January, 1923, 5,676 tons; and February, 1923, 3,294 tons. The output of the last week when any work was done was 860 tons, alterations to the dredger having lowered the output.

The firm who built the dredger say that it

(15)

can win 1,000 tons a day, or 300,000 tons a year, and it is estimated that the calcining plant should calcine 150,000 tons a year.

Mr Todd, who is in charge of the sales department has written me a letter which I set out. His letter is very conservative because he has not had sufficient soda to test the markets and does not really know what he can do.

With regard to the natural powder, there has been only one small furnace at work on this. This furnace has turned out about 10 tons a day, and the product has all been taken at Nairobi and in South Africa. The Nairobi sales averaged £20 per ton. †

I am sure that shareholders after reading this must support my suggestion for the formation of a business committee to work in conjunction with the Colonial Office before whom I have laid all these facts, as the Colony and the Uganda Railway are so vitally interested in the success of the Magadi undertaking, particularly as no one today knows how much money is required.

Mag. 7. 1923
June 8. 1923 (Wed)
167.

My dear Rev.,

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B. Ayler Gathers,
Campden Hill's

May 27, 1925
June 8, 1925
16725

My dear Reed,

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J. S. ...
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FROM
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DATE
13/11/23

FOR CIRCULATION:
Mr.
Mr.
Mr.
Asst. U.S. of S.
Li H. Lee
13/11/23
Part U.S. of S.
Part U.S. of S.
Secretary of State.

SUBJECT
*Mayada Gada Bay
Liquidation*

Previous Paper
S
3234

MINUTES
*I am sorry that I had not
met this or before Col. Nelson
called this morning. I told
him that I did not think
there was any chance of our
taking the initiative that
we were waiting for protocol
from reconstruction, should Oday
of the trustee for the distribution
hold as jointly.
He said that in these quiet
he would try to get in closer
touch with Colonel Cameron.*

Li H. Lee

Subsequent Paper
36016

*He suggested that if he could
be started to handle the matter
had a*