

EAST AFRICAN RECORD

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TWO NEW EAST AFRICAN INDUSTRIES

A steel mill at Jinja

The idea of building a steel rolling mill in Uganda was first associated with the Owen Falls hydro-electricity scheme completed in 1954. Plans for this scheme were initially based on the assumption that power in large quantities would be transmitted westwards to serve the copper mining developments at Kilembe, and eastwards to drive a new steel mill at Tororo. But a railway, and not a power line, was built in the western region, and the Tororo steel mill was never built, so that a gross excess of hydro-electricity was created which has not yet been fully absorbed.

The principal locational factors involved in the siting of the steel mill at Jinja, which opened in November 1962, are associated with the close administrative and financial relationship of the Steel Corporation of East Africa with the Muljibhai Madhvani group of companies; founded on extensive sugar estates in the Jinja area, this group now includes amongst its increasingly varied subsidiary commercial developments grain milling, soap manufacturing, glass making and brewing, and in addition sponsors a number of educational establishments such as a farm boarding school and a commercial college.

The proximity of the steel mill, at Jinja, to the major Ugandan source of electricity assumes a secondary, though of course important, place as a locational factor. For small industrial concerns, the Uganda Electricity Board provides a standard industrial tariff which does not vary with distance from the dam site; but for larger undertakings special tariffs are negotiated and, in view of the high cost of bulk power transmission over long distances, there exists an obvious financial incentive to location at Jinja. Apart from these considerations, Jinja presents an advantageous location from the point of communications, water and labour supplies and land availability.

Most of the scrap metal which initially constitutes the raw material for the new steel mill comes from Kenya. Operation began towards the end of 1962 with the production of 10-12 tons of steel ingots per day, a figure that was quickly doubled. The ingots were stock-piled until the steel-rolling machinery was installed early in 1963. Eventually, it is planned to produce 24,000 tons of steel products per year.

An oil refinery at Mombasa

The oil refinery at present under construction at Mombasa is based on an agreement signed in 1959 between the Kenya Government and the Shell and BP groups of companies, and on the registration in 1960 of a new joint subsidiary company of these groups, under the name of East African Oil Refineries Ltd. Construction of the refinery began in January, 1962 and, under the agreement with the Kenya Government, is due to be completed by the end of 1963. The initial refining capacity will be about 2 million

tons of crude oil a year; the refinery is designed to produce a fairly wide range of oil products, and to meet for some time to come the needs of those parts of East Africa that can be supplied economically from Mombasa. Provision has been made for those oil companies with substantial market investments in East Africa to participate in the refinery project. In 1961 a training school was established in Mombasa where some 125 trainees, mostly African, are receiving instruction to qualify them as refinery operators, laboratory technicians, etc.; it is estimated that the refinery will provide continuous employment, directly or indirectly, for a total of 300 persons.

The inauguration of the new refinery will entail an abrupt reversal of the present trade pattern whereby East African oil imports are entirely in the form of refined products, obtained largely from Aden and the Persian Gulf. The total consumption of petroleum products in East Africa in 1961 amounted to 1.23 million tons. Henceforth, crude oil will be imported, chiefly from the Middle East; in spite of intensive exploration, carried out over a number of years, in the coastal areas of East Africa, no oil reserves have been located. The economic output pattern of a small refinery will not, however, accord precisely with the consumption pattern of the market area; it will still be necessary to import certain oil products, e.g. aviation gasolines and lubricating oils, and there will be an export of surplus quantities of others, notably fuel oil.

Various important economic benefits will result from the opening of the new refinery. Most important among these is the saving in foreign exchange, which will result from the importation of crude oil rather than of the more expensive refined products. It is also commonly accepted that the establishment of an oil refinery in an area where industrialisation is not advanced offers a considerable stimulus towards further developments, and at the same time introduces various modern skills and processes. During the construction period, the refinery is helping to alleviate unemployment problems at the coast, but more permanently the new plant will undoubtedly help to generate more general economic activity. The considerable financial investment which this project represents may also help to attract capital to East Africa, since it demonstrates the confidence of the petroleum companies in the future at a time when serious economic doubts have been widely expressed.

It is important also to see the Mombasa refinery in the wider setting of the general expansion of refinery activity in Africa at the present time which aims, in the space of a few years, to increase by more than 100 per cent the total existing capacity of 15 million tons a year. This feature results from the general desire for rapid industrialisation, from the achievement of significant indigenous oil production (in Algeria, Libya and Nigeria) and from the desire of newly independent countries to save foreign exchange and to provide tax income and new employment without increasing the cost of their petroleum products. The capacities of some of these refineries are very low but the competition for expanding markets in the African continent is so great that the growth of local refineries is proceeding at a rapid pace. The Mombasa refinery is economically well-founded, but should a refinery be built at Dar es Salaam, as is proposed, considerable spare capacity would certainly be created.

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