

CHAPTER V

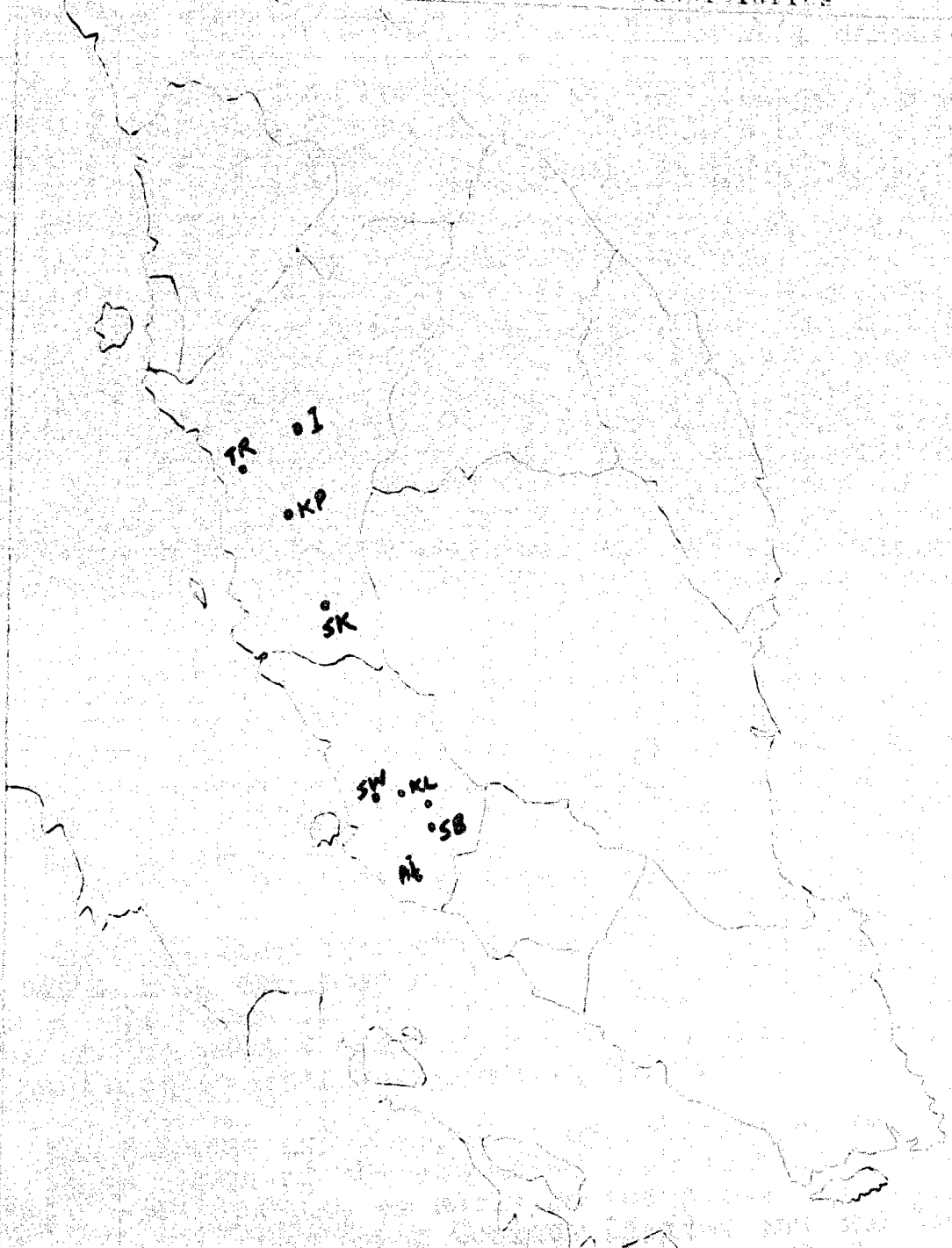
THE INTERLOCKING RELATIONSHIP

A very special feature of ownership and control in the tin dredging companies is that of parent and subsidiary companies. This is especially common among the foreign incorporated companies. There are quite a number of cases among the locally incorporated companies which exhibit such a feature. Thus, we find that the Katu Tin Dredging Limited and the Renong Consolidated Tin Dredging Company are in the control of a big foreign company, the Bahamas Minerals and Investment Company Limited. In both cases, this parent company owns more than 50% of the shares of the companies and thus legally have full control over them. Another company, the Burma-Malay Tin Limited is a joint owner, holding about 30% of the share. This, too, is a fairly large amount for a single company.

Besides the tin dredging companies being owned and controlled by companies doing business of a different type, they are also owned and controlled by other tin dredging companies. The Associated Mines (M) Limited was jointly started and is owned by six dredging companies, namely (1) The Tronoh Mines; (2) The Southern Tronoh Tin Dredging Limited; (3) The Sungei Besi Mines Limited; (4) The Ayer Itam Tin Dredging Limited; (5) The Kepong Dredging Company Limited and, (6) The Sungei Way Dredging Limited. Going further into this parent and subsidiary relationship, we can again find that the Tronoh Mines is one of the biggest tin dredging parent companies. The other five companies of the Associated Mines are wholly-owned subsidiaries of the Tronoh Mines. Very recently, the Tronoh Mines added on to its list of subsidiaries the Sungei Bidor Tin Dredging Limited by buying over 90% of the shares of that company. Similarly, the Tin Lay Limited, Aokan Tin Limited and the Kampar Mining Company are also subsidiaries of the Tronoh Mines. But the magnitude of its ownership and control does not end just there. The subsidiaries of the Tronoh Mines themselves in turn hold substantial amounts of shares in other mining companies, thus causing a sort of complex network.

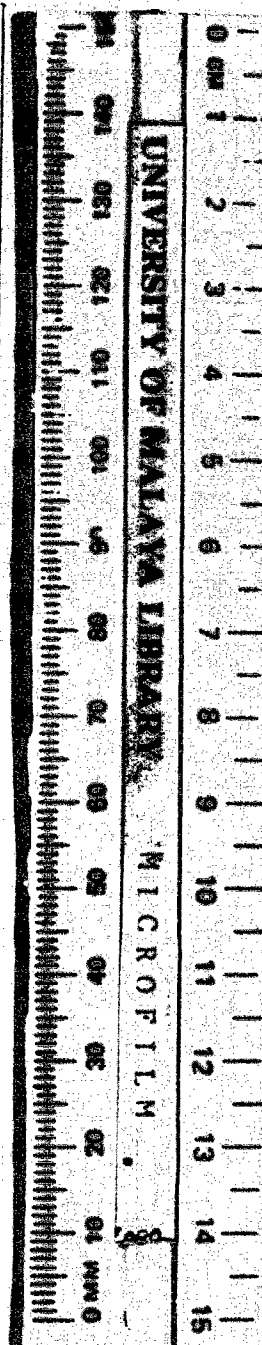
The case of the Southern Malayan Tin Dredging Limited is even more interesting. It not only owns a subsidiary in the Malayan Tin Dredging Limited, but it also invests heavily in rubber estates. And we also find that the Petaling Tin Limited operating not only dredging works, but also open cast mines. The Austral-Malay Tin Limited, an Australian company, and a parent of two other tin dredging companies (the Kampong Kemunting Tin Dredging Limited and the Austral-Amalgamated Tin Limited) has decided this year to diversify its activities.

Map of Malaya : Trench Mines and Subsidiaries



Reference:

TR	Trench Mines (Perak)
KP	Kamnar
I	Ipoh
SK	Sungkai
KL	Kuala Lumpur
SW	Sungei Way
SB	Sungei Besi
AI	Ayer Itam



It has decided to plant oil palm, and it hopes to raise capital up to an amount of about £,000,000. Therefore, we can see that the dredging companies do not only indulge in the various types of mining activities alone, but they also have interests in trade and estates.

Another form of interlocking relationship exists through interlocking directorships and secretaries. This is a very common feature among the foreign incorporated companies, though we also find them among some of the locally incorporated companies. In most cases, we find the same relationship in two forms: (1) by having the same directors on the boards of different companies, and (2) by having the same secretary for different companies. This situation could be vaguely identical to the parent and subsidiary relationship. The position has not changed much since 1954. We still find the same interlocking relationship today. For the British dredging companies, we could identify three giant groups: (1) the Osborne and Chappel group which act as General Managers to a few companies; (2) The Anglo-Oriental Limited and the General Investment Limited which act as secretaries to various companies, and (3) H.E. Barrenger, which act as secretaries to yet another group of companies. Of these groups, the greatest is the Anglo-Oriental which commands about twelve companies. The Anglo-Oriental (M) Limited act as General Managers whilst the London Tin Corporation Limited act as Technical Managers. The Anglo-Oriental group head some of the largest dredging companies in Malaya, such as the Berjuntai Tin Dredging and the Lower Perak Tin Dredging Company. To date, about six of the twelve companies of the group have been locally incorporated.

The H.E. Barrenger group has about nine companies and they, too, are some of the largest companies. Most of the mines of the Barrenger Group are subsidiaries of the parent company, the Tronoh Mines. This was stated in an earlier paragraph in this chapter.

The Osborne and Chappel group consists of four companies. Some of the companies have been in operation for a very long time, as early as the pre-war period. The Kinta Kellas Dredging Company Limited and the Kent (F.M.S.) Tin Dredging Limited are examples of old established companies in the dredging sector.

The interlocking relationship in 1954 was such that the three groups were strongly interlocked, firstly, through some directors and, secondly, through some secretaries. The Osborne and Chappel group was interlocked with the Anglo-Oriental through the Chenderiang Tin Dredging Limited which had Harrisons and Crosfield (M) Ltd. as the local secretary. At the same

it was also interlocked with the Barranger group by a common director, Simms, who is also a director of the Ayer Itan Tin Dredging Limited and the Sungei Besi Mines. The three are therefore interlocked in quite a complex manner. Sometimes, we find not only one but a few directors sitting on the boards of a few companies. This is common within each particular group. The companies of the Anglo-Oriental Group have more than three common directors. And this situation has been the same since 1954. In addition to these three groups, we also find that there are smaller groups such as the Sime Darby, Guthries, and the Borneo Company.

The relationship of the 'Big Three' is still the same in 1964. The relationship is still maintained through interlocking directorships and secretary-ships.

From the above discussion of the interlocking relationship, we can conclude that ownership and control of the tin dredging companies could be of an interlocking nature. That is to say, shareholders in one of the companies in the group could also be shareholders in other companies of the same group. And the profits from one company's investment in other tin dredging companies could be shared accordingly. (At this stage it is important for us to remember that even though many of the companies are foreign incorporated, they need not be foreign-owned. Since these companies have local secretaries and transfer offices, we can assume also that part of the capital of these is raised locally. We can only make a guess as to the amount, whatever it is but this is not important at this stage since these companies could not be included in this research.)

Incidentally, we must bear in mind that a very prominent miner, Yeap Hock Hoe, has been elected a director in the Australian group of companies. The 1964 situation is such that the British group, the Anglo-Oriental Group, has been interlinked with the Australian Group, the parent company of which the parent company is the Austral-Malay Tin Dredging Limited and its subsidiaries the Austral-Amalgamated Tin and the Kampong Kamunting Tin Dredging Limited.

Another point which stands out from this interlocking relationship between the tin dredging companies and the other companies not involved in tin dredging is that the control and the ownership of the tin dredging companies can be distinguished. We have come to a stage when we can classify the shareholders of the dredging companies as 'passive participants'.

By this, I mean that the part played by the shareholders is mainly that of supplying capital for the tin dredging companies. There is a rising trend for more locally raised capital. This is in contrast to the foreigners who are reducing their investment in our tin dredging companies. But though the problem of capital seems to be solved, the problem of management is still a grave one. As far as policy formulation and decisions are concerned, only a few local persons are able to enjoy some participation. In 1954, all the directors of the tin dredging companies were foreigners and to a great extent, this situation has continued till 1964. Therefore, as far as intermediate control is concerned, the local owners of the tin dredging companies play a very small part. In 1954, annual meetings were held in overseas countries, and this still exists even today. Policies and major decisions were made overseas and dictated to the companies here. The local owners just waited for the year end when they could receive any dividends declared and distributed. Certain mines were owned and controlled by non-dredging companies and some were the property of a few dredging companies. But because of the interlocking nature of the companies we actually find that the intermediate control of the inter-related companies lying in the hands of a few persons for each inter-related group.

By 1964, only a few local residents were elected or appointed as directors of the tin dredging companies. One of them is Yeap Hock Hoe who is now the director of Austral-Amalgamated Tin Limited. On the whole, there are less than five local directors as far as this research is concerned. Therefore, a difference exists between ownership and control in the tin dredging companies. The 1964 situation is such that while the ultimate control of the tin dredging companies rests mainly with the local shareholders, yet the intermediate control still lies with the foreigners. On the one hand, therefore, we find that ownership is shifting over from the foreigners, whilst on the other, control has not. Theoretically, this may be quite usual and common. But from the practical viewpoint, we cannot afford to allow such a situation to continue forever. If we are to manage our own affairs, we must take over from the foreigners. There is one reason why intermediate control should be in the hands of the foreigners. The investors respected the experience of the foreigners, who have been serving as directors ever since the companies were started. Another reason could be that the local investors have been used to the practice of investing their money and then wait for the dividends. In order to see both ownership and control in the hands of the local investors must participate in policy formulation and decision making.

Talking of operation, we arrive at another aspect of control and this is the 'various ranks of corporate officers stationed at the scene of operations'. Some of them have the responsibility of carrying out accepted policies, plans and procedures laid down by the company. We could call this the "immediate control". As far as the tin dredging companies are concerned, most of the executives in charge of the dredging operations are foreigners. This became very evident from the share registers of the respective companies. Therefore, even with respect to operations, the tin dredging companies are not controlled by the local population. Of course, there are a few local engineers, but this still does not disapprove the fact that control is in the hands of the foreigners.

As far as the labour force is concerned, the Chinese are largest in number. In 1913, over 200,000 miners were employed in the tin mining industry. But mechanization, especially the dredge, reduced very greatly the number of workers required to tin production. Thus, in 1954 only 40,000 workers were employed as to the 1913 figure. This reduction of the number of workers in relation to the output is continuing: 46,000 miners produced 57,000 tons in 1951, whereas nearly 60,000 tons were won in 1963 by a labour force amounting to 33,650 at the end of the year. (International Tin Council, 1964 Statistical Year Book). This labour force represented 82% of the total mining labour force in Malaya. Of the races employed in mining, the Chinese predominant; Indians, Malays and others together form only a small proportion of the total.

The foregoing description clearly shows the outstanding difference between ownership, control and operation of the tin dredging companies. The obvious features are that while the local investors own large portions of the companies, the control and operation are done mainly by the foreigners.