

REPORT

OF THE

ADVISORY COMMITTEE

APPOINTED TO INVESTIGATE

THE TRADE DISPUTE

IN THE

SUGAR INDUSTRY

OF

BRITISH GUIANA

DECEMBER, 1965.

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INTRODUCTION

The Advisory Committee was appointed on the 29th day of June, 1965, by His Excellency the Governor of British Guiana in accordance with the provisions of Section 6 of the Labour Ordinance, Chapter 103, with the following terms of reference -

"to enquire into the existing dispute between the British Guiana Sugar Producers' Association and the Man-Power Citizens' Association in connection with

- (i) wages and conditions of employment in respect of the years 1964 and 1965;
- (ii) the payment of a once-for-all bonus for 1964;
- (iii) the payment of an annual production bonus for 1964;

and to report thereon, and make such recommendations as it may deem expedient."

The members of the Committee were:

The Hon. Mr. Justice Percival A. Cummings - Chairman.

G. B. Kennard, Esq., C.B.E.

John Jardim, Esq., F.A.C.C.A.

F. Ramprashad, Esq., Barrister-at-Law

W. G. Stoll, Esq., A.C.C.A.

The Committee convened on the 30th June, 1965. The parties to the dispute presented their submissions and led evidence in support thereof at 39 private hearings held between the 18th of August and 25th October, 1965, inclusive.

The case for the Union was opened by its President, Mr. Richard Ishmael, but was later conducted by Sewnarine Mohabir, Esq., Barrister-at-Law. C. L. Luckhoo, Esq., Q.C., E. V. Luckhoo, Esq., Q.C., with him, presented the case for the Association. Both sides presented their cases fully, led evidence in support thereof, and addressed the Committee on the evidence.

Hearing was concluded on the 25th day of October and the Committee met daily thereafter to consider the evidence and to prepare its report. In addition to memoranda submitted prior to the hearing, the Committee also examined over 250 exhibits tendered by the parties.

The Committee desires to express its thanks for co-operation and assistance to the Ministry of Labour, the Man-Power Citizens' Association, and the Sugar Producers' Association.

Finally, the Committee records its appreciation

of...

of the work of its staff, and wishes to thank Mr. F. Eytle, Inspector of Labour, who performed the duties of Secretary throughout the enquiry, and the stenographers whose task it was to report the proceedings, all of whom discharged their duties loyally and efficiently.

1. THE PARTIES

The Sugar Producers' Association.

The British Guiana Sugar Producers' Association (hereinafter referred to as the "Association") has been in existence for many years and was constituted in its present form in 1942 as a Company limited by guarantee. The Association exists generally to promote and protect the interests of the sugar industry in British Guiana. In so doing it enters, on behalf of its affiliates, into negotiations and agreements with Trade Unions representing employees in the industry.

The Association acts in union negotiations on behalf of the following estates:

<u>Estate</u>	<u>Owner</u>
ALBION/PORT MOURANT	Bookers Sugar Estates Ltd., incorporating Port Mourant Ltd.
BLAIRMONT	Blairmont Estates Ltd., a wholly-owned subsidiary of Bookers Sugar Estates Ltd.

<u>Estate</u>	<u>Owner</u>
DIAMOND	Demerara Company Ltd.
ENMORE	Enmore Estates Ltd., in which 48% of shares are held by outside shareholders; 52% by B.S.E. Ltd.
HOUSTON	Houston Estates Ltd.
LA BONNE INTENTION/OGLE	The Ressovenir Estates Ltd. in which 41% of shares are held by outside shareholders; 59% by B.S.E. Ltd.
LEONORA	Demerara Company Ltd.
ROSE HALL	Bookers Demerara Sugar Estates Ltd.
SKELDON	Bookers Demerara Sugar Estates Ltd.
UITVLUGT	Bookers Demerara Sugar Estates Ltd.
VERSAILLES	Versailles & Schoon Ord. Ltd.
WALES	West Bank Estates Ltd., a wholly-owned subsidiary of Bookers Demerara Sugar Estates Ltd.

The Man-Power Citizens' Association.

The Man-Power Citizens' Association (hereinafter referred to as the "Union") was the first Union to be recognised in the Sugar Industry. An Agreement providing means for the Avoidance and Settlement of Disputes was signed with the Union on 22nd February, 1939; and

this...

this Agreement was supplemented and expanded by an Agreement made on 29th January, 1945, under which provision was made for machinery for conciliation and settlement of differences. The last Agreement regulating wages and conditions of employment was signed on 29th March, 1963, covering the years 1962 and 1963.

Other Trade Unions in the Industry.

The Association recognises four other unions in the industry, viz.:

The British Guiana Headmen's Union,
The British Guiana and West Indies Sugar
Boilers' Union,
The Sugar Estates Clerks' Association,
The Guyana Sicknurses' and Dispensers'
Association.

With the exception of the fourth named, which was recognised in 1964, the Association had 5-year Agreements with the other three, all of which expired on December 31, 1964.

The Association proposed early this year to these four unions that in view of the industry's precarious position, the previous Agreements should be extended without change until December 31, 1965, when the situation for future years could again be considered.

So...

So far no agreement has been reached with any of them.

Although the claims of these unions do not fall within the ambit of our terms of reference, we are not unmindful of their impact on the wage costs which the industry may have to bear.

2. THE TRADE DISPUTE

The demands of the Union contained in a letter to the Association dated 30th October, 1963, are as follows:

"Wages and Other Demands - 1964

The Union's demands are intended to cover all types of workers in the Sugar Industry who are not represented by the three specialised unions, viz. the British Guiana Headmen's Union, the Sugar Estates Clerks' Association, and the British Guiana and West Indies Sugar Boilers' Union. The demands are also intended to cover Motor Transport Drivers, Irrigation Operators, Watchmen and other categories of workers who are covered by other existing agreements between the British Guiana Sugar Producers' Association and the Man-Power Citizens' Association.

All demands, except where otherwise mutually agreed, are to take effect from 1st January, 1964.

(I) WAGES - TIME WORKERS

- (i) Unskilled time workers in the field and factory - \$4.00 minimum per eight-hour day;
- (ii) Semi-skilled workers - \$5.00 minimum per eight-hour day;
- (iii)...

(iii) Skilled workers - \$6.00 minimum per eight-hour day,

except where workers are presently in the receipt of higher daily rates and also where workers receive higher rates and work less than eight hours per day as of custom and practice.

Hourly, Weekly and Monthly Employees.

Equivalent increases for those workers so classified.

(II) PENSIONS.

The Union's proposals will be submitted after consultation among Mr. Sven Boye, United Nations Pensions Expert, the British Guiana Sugar Producers' Association, the Man-Power Citizens' Association and Government.

The Union wishes to point out that the delay in implementing the Pensions Scheme which should have commenced on the 1st July, 1961, has been frustrating and pensioners continue to suffer from inadequate ex-gratia pensions. We are certain that the Association appreciates the urgent need for us jointly to make every effort possible to have the Pensions Scheme implemented without further delay.

Should the implementation of the Pensions Scheme be further delayed beyond the 1st January, 1964, the Union demands that a blanket pension of a minimum of \$30.00 per month be paid to all existing pensioners until such time as the permanent Scheme is implemented.

This demand is without prejudice to existing pensions which are higher than this stated minimum. On all existing

pensions...

pensions above \$30.00 per month the Union demands a 50% increase until the date of introduction of the permanent scheme.

(III) SEVERANCE PAY - AMENDMENTS TO EXISTING AGREEMENT.

(i) A further amendment to the Severance Pay Agreement to read

"When Management decides that a particular job is becoming redundant there must be prior consultation with the Union and in the case where alternative employment is being offered the workers, there must be agreement between Union and Management on what constitutes suitable alternative employment for the individual worker or group of workers affected."

(ii) Amendment to the Existing Clause C

We propose the following amendment:

"For the purpose of these calculations, one week's pay shall be considered as the total of wages paid over the previous twelve months at the job at which the worker became redundant; and one week's pay to mean the average pay for six days for both field workers and factory workers. The wages for the purpose of the above calculation shall include workmen's compensation, Holidays-with-Pay payments, and shall include all bonuses, sickness benefits, overtime and premium time payments."

(iii)...

(iii) Delete from the Agreement signed on 20th January, 1961, the following:

- (a) "To decide on methods, machinery, equipment."
- (b) "To decide on the number to be employed, kept in employment, laid-off, retrenched and/or retired."
- (c) "To decide on the age, sex, educational standards, physical standards (sic) general qualifications and aptitudes required in employees or those to be employed."
- (d) "Delete from (f) 'termination of employment.'
- (e) "Delete (a) Lay-Off: The entire section and all other sections connected therewith.

In addition, there must be a clear definition of what is "continuous employment".

(IV) SUPPLEMENTAL UNEMPLOYMENT AND UNDER-EMPLOYMENT BENEFITS.

- (i) The Union demands the introduction of a scheme which will provide piece and time workers with a weekly minimum wage of \$20.00 for a five-day week where the worker customarily works a five-day week and \$25.00 per week where the worker customarily works a six-day week. The minimum, however,

shall...

shall be \$20.00 per week if the worker has customarily worked a four-day week or less due to no fault of his own, but has continued to qualify for Holidays-with-Pay or is considered a permanent worker, i.e. one who is qualified to remain on the payroll of the respective estates.

- (ii) In cases where workers are not provided with work, for example, in the non-grinding weeks (excluding Holidays-with-Pay weeks) that they receive on a weekly basis 50% of the average pay earned weekly over the previous crop period. This amount to be paid during those weeks when suitable alternative work is not available to them.

(V) MEDICAL FACILITIES

- (i) Equal facilities for all workers - resident and non-resident.
- (ii) Maternity benefits to be free for all qualified female workers.

(VI) PENSIONERS AND MEDICAL FACILITIES

- (i) The wives of pensioners qualified to receive medical facilities be afforded the same facilities that are available to the wives of Grade A workers.
- (ii) Children of pensioners under sixteen years of age be afforded medical facilities.

(VII) SICKNESS BENEFIT

- (i) The existing agreement to be

amended...

amended to include whatever provisions now exist for computing workers' qualifications for Holidays-with-Pay for the purpose of assessing qualifications for sickness benefits.

- (ii) The Union demands that qualifications be standardized for Holidays-with-Pay, sickness benefits and medical facilities.

(VIII) NON-ABLE BODIED WORKERS

(IX) GENERAL

(a) Overtime

All hours in excess of eight hours be credited as "days worked" in computing qualifications for holidays-with-pay, Annual Production Bonus, Sickness Benefits, Medical Facilities, etc.

(b) Detainance

- (i) Cane cutters and other workers who are detained from completing their job or task be paid the established minimum hourly rate for every hour or part thereof and that the existing grace period of one hour which is now granted management be abolished.

- (ii) A review of "alternative work" conditions which has in the past led to a number of disputes and stoppages of work.

(c) Factory

- (i) A premium rate of 10¢ an hour

be ...

be paid for the two night-shifts, namely the 2 p.m. to 10 p.m. and the 10 p.m. to 6 a.m. shift.

(d) Classification of Workers as Unskilled, Semi-Skilled and Skilled

This is to be undertaken without further delay and that any compensation due the worker after the classification is completed be retroactive to the 1st January, 1964.

(e) Motor Transport Drivers

Where Motor Transport Drivers and other workers convey pay-rolls that they be given an extra compensation at a minimum of \$3.00 for such duties for the additional responsibilities and danger involved in conveying such pay-rolls.

(f) Split Shift

The Union demands that the Operator of these vehicles be entitled to the allowance for the entire day, that is, that the rate be established at 64¢ per day, for an eight-hour day and not calculated on the actual number of hours worked as is the current practice on certain estates.

(X) UNION SHOP

The Union again demands that all negotiated benefits be an entitlement for members only, and that members who benefit from wage negotiations conducted by their recognised Union, the

MPCA, shall not be permitted to withdraw their membership from the Union at any time prior to the termination date of the Agreement.

(XI) ONCE-FOR-ALL BONUS

The Union demands that the entire surplus revenue directly accruing from the sale of sugar to the United States of America and from the high world price obtained during 1963 be paid to sugar workers as a Once-for-All Bonus based on the production of 1963."

The Association and the Union both agreed to the inclusion of the Union's demands for 1965 in the terms of reference of the Committee. These demands set out in the Union's letter to the Association are as follows:

"A Once-for-all Bonus arising out of the sale of sugar to the United States of America which would normally have had to be sold on the World Market at an average price of £21 per ton; from any increase in world prices of sugar which may occur during the year 1965 the increase being relevant to and to be compared with the average world price which has been prevailing in the free market (Sugar) during the past years excluding the years 1963 and 1964 when the price had climbed to unusually high levels; and from the sale of

(a) Molasses

(b) Rum,

and from other ancilliary operations connected with the Sugar Industry in British Guiana, such as the marketing of sugar in

the ...

the United Kingdom through Bookers Sugar Co. Ltd., and other Sugar Brokerage agencies from profits accruing from shipping of sugar by Bookers Vessels, from profits from the Demerara Sugar Terminals Ltd. which profits directly accrue only from the handling of sugar produced in British Guiana, and from any other agencies used for diverting profits.

The Union's demands are made for and on behalf of all types of workers in the Sugar Industry who are not represented by the other three 'specialist' Unions recognised as the sole bargaining agents for certain categories of workers. The three unions referred to are the British Guiana's Headmen's Union, the Sugar Estates' Clerks Association, and the British Guiana and West Indies Sugar Boilers' Union. The demands are also intended to cover such workers who are covered separately by existing agreements between the British Guiana Sugar Producers' Association and the Man-Power Citizens' Association, e.g. motor transport drivers, watchmen, Sophia Sugar Experimental Station employees, and Estate Hospital employees.

All demands except where otherwise mutually agreed, are to take effect from 1st January, 1965, as has been the custom and practice during the past years bearing in mind that all rates of wages, conditions of employment etc. negotiated and agreed to, are for a period of one year and the Union therefore makes its demands on an annual basis.

(II) WAGES - TIME WORKERS

- (i) Unskilled time workers in the field and factory to receive a minimum of \$4.50 per eight-hour day.

(ii)...

(ii) Semi-skilled workers - \$5.62 $\frac{1}{2}$ ¢ minimum per eight-hour day.

(iii) Skilled workers - \$6.75 minimum per eight-hour day.

These rates to be applicable as minimum rates except where workers are presently in receipt of higher rates in one of the three categories, unskilled, semi-skilled or skilled, and/or work less than eight hours per day as of custom and practice in accordance with the Field Time Rate Agreement signed on 17th September, 1959.

(iv) Piece, weekly and monthly employees - equivalent increases for those workers so classified, i.e. 12 $\frac{1}{2}$ %.

(III) HOLIDAYS WITH PAY

(a) Days of certified sickness and approved leave to be discounted from the qualifying period.

(b) Qualifications in the autumn crop for factory workers to be restricted to the grinding period, except where Management undertakes to provide a full week's employment.

(c) All periods when a factory does not grind for any part of a week to be regarded as a broken week and be so treated.

(d) Holidays with pay for weekly paid workers to be calculated as other field and factory workers, i.e. a full week's pay of six days plus twenty-five per cent.

(e) Holidays with pay to be calculated so that a worker would receive

the...

the equivalent of six days' pay plus 25 per cent.

- (f) Workers to be paid on a pro rata basis.

(IV) ANNUAL PRODUCTION BONUS

Qualification to be based on work available to the individual workers and workers to be paid on a pro rata basis.

(V) MOTOR TRANSPORT DRIVERS AND WEEKLY PAID WORKERS.

- (a) Drivers to be placed on a fixed eight-hour day, i.e. four hours followed by a one hour break for meals, then resume duties for four hours immediately following the meal break; or that they be regarded as day or shift workers on a straight eight-hour shift with time off for meals.
- (b) The same should be applicable to all weekly paid workers, including watchmen.
- (c) Hourly paid or temporary motor transport drivers who are paid on the hourly basis to receive a premium of 25% on the equivalent weekly rate.
- (d) The Motor Transport Drivers' Agreement - Section 12 - to be amended to expressly state that any merit increment granted by Management should not preclude any driver from receiving Union negotiated increases.
- (e) Motor Transport Drivers to receive a premium of eighty cents per day when required to drive "Bulk Lorries".

(VI) SICKNESS BENEFIT SCHEME.

- (a) The Scheme to be converted into a provident scheme to provide payment as and when requested by workers. (There already exists a draft agreement on this, but no final decision has been reached).
- (b) The 150 days qualification period to be adjusted and restricted to 75% of the days during which work is available to the workers.
- (c) Workers to be paid on a pro rata basis if they do not achieve the 75% qualification.
- (d) The qualification period required of workers to qualify for sickness benefits to be unencumbered and to be reduced by the following:
 - (i) period of disability under the Workmen's Compensation Ordinance;
 - (ii) certified sickness, and
 - (iii) approved leave.

(VII) MEDICAL FACILITIES

- (a) The present arrangement to be converted to a jointly administered scheme involving Management and Union representatives.
- (b) All facilities available under the scheme should be defined in the greatest detail possible.
- (c) Employees, their families, pensioners and their legitimate dependents...

dependents should receive benefits under the scheme. (We refer you to our demands of 1964).

(VIII) IRRIGATION OPERATORS

- (a) To be paid for a full shift, whether it be an eight-hour, twelve-hour or twenty-four-hour shift.
- (b) To be provided transportation to and from their work place.

(IX) SEVERANCE PAY

Every worker whose job becomes redundant to be entitled to Severance Pay as of right.

(X) GRATUITIES

- (a) Medical: Any worker who is discharged on medical grounds including cases which Management consider 'accident prone' to be entitled to severance pay or to a gratuity whichever is the greater in amount of money, and that this entitlement be as of right without regard to age, provided the worker is under the age of 65 years.
- (b) Pregnancy: Female employees laid off through pregnancy to be entitled to a gratuity calculated on the severance pay formula (as contained in the Union's demands for 1964).

(XI) PENSIONS

- (a) Until the Pension Scheme is introduced, every worker who retires

shall...

shall be entitled to a gratuity computed on the basis of the Severance Pay formula (as amended in our demands for 1964). This demand would apply to all workers who are retired as of 1st January, 1965. The demands for 1964 remain unchanged for those who were retired prior to 1st January, 1965.

- (b) The implementation of the Pensions Scheme in its amended form to be actively pursued.

(XII) ESTATE MESSENGERS

Whenever messengers are sent by Management to Georgetown that they receive a meal allowance of \$1.25 each day.

(XIII) ESTATE COMMITTEE REPRESENTATIVES
(SHOPS STEWARDS)

- (a) Every gang should have at least one representative and in those cases where a gang is comprised of more than fifty workers that one additional representative be appointed for every fifty workers or part thereof. (This will make for an improved system of representation so basic to the quick settling of grievance, prevention of wild-cat strikes, and thus greatly assist our efforts to achieve long term industrial peace.)

- (b) On each estate there should be one full-time paid representative to be paid by the employer for every six representatives to discuss the settlement of

grievances ...

grievances away from the work place to permit for the immediate discussion and possible settlement of grievances during normal working hours. (This system operates effectively in many industries in the United Kingdom where the work force is relatively large).

- (c) Representatives to be appointed by the Union. (There is already Union-Management agreement on this but must be incorporated in the Agreement for the Avoidance and Settlement of Disputes).

(XIV) EXISTING AGREEMENT FOR THE AVOIDANCE AND SETTLEMENT OF DISPUTES.

- (a) The Estate Joint Committee step and the Joint Conference level step Section 6(b) and (c) respectively of the Agreement for the Avoidance and Settlement of Disputes to be incorporated and taken up at the estate level at which representatives of both company and union representatives will participate in the discussions.

- (b) The name 'Joint Committee' to be changed to 'Joint Meetings'.

- (c) A definite time limit for each step in the settling of grievances to be stated as is established in current industrial relations practices right here in Guyana. This will serve to expedite the settlement of disputes and prevent unnecessary delays which the Union has experienced and which in certain matters have extended over a period of as long as four years.

(d)...

(d) The entire 'Grievance or Representation Procedure' to be streamlined.

(XV) PAYMENT TO REPRESENTATIVES

All employees both time and piece workers who are members of the recognised union delegation involved in making representation at any step of the grievance or representational procedure in the agreement for the Avoidance and Settlement of Disputes to be paid for the days involved whether they be at work or not, i.e. whether work is available or not and that they also be paid travelling and subsistence allowances.

(XVI) CHECK-OFF OF UNION DUES AND LEVIES

(a) The employer to be responsible for the check-off of all members' dues as per existing agreement and in cases where members' dues have been checked off and where the omission is brought to management's attention that they be held responsible for the sums of money not checked off as union dues and that they make compensation to the Union for the amounts due.

(b) The employers to make deductions of any and all sums made as levies by the Union in accordance with the Rules of the Union, and that they be held responsible for any sums due as levies of the members should they fail to make the necessary deductions.

(XVII) UNION SHOP AND UNION SECURITY

The Union shop to be introduced

to...

to provide compulsory membership as a condition of employment. The Union has been seeking to get agreement with the Sugar Producers' Association on this issue since 1958.

(XVIII) GENERAL

- (a) Immediate classification of workers by agreement into the categories (i) Unskilled, (ii) Semi-skilled, and (iii) Skilled and the rates of pay to be established for same. Agreement in principle has been reached on this issue since 1957, but the B.G. Sugar Producers' Association have made no positive steps towards the realisation of this important matter. As a result over the years skilled workers have received lesser rates than those to which they are entitled.
- (b) All piece work should be defined and the rates fixed for same.
- (c) An increase to be sought by the S.P.A. from the Government for all sugar sold locally, and the entire sum to be used to establish an Unemployment and Under-employment Benefits Scheme. This has been a standing demand since 1957.
- (d) The muster roll plays an important part in qualifying workers for future employment in the sugar industry; therefore
 - (i) For the purpose of muster-roll, if work is not available in the workers' normal category and alternative work is offered in another

category...

category, that day should be muster-rolled as 'not required'. Should the worker accept the alternative work offered him, then it should be muster-rolled as a day available and a day worked.

(ii) Whenever a worker works up to 12 noon or after that day should be muster-rolled as a day available and a day worked. (This was agreed to in principle at a past negotiation, but has not yet been strictly adhered to by Management to the detriment of workers). The Union demands a written agreement on this general question in order that the worker could be protected.

(iii) The automatic transfer of all rights and benefits which have accrued to a worker on one estate if the worker is transferred to another estate or the worker on his own secures employment on another estate.

(e) Employers to undertake to print all agreements for free distribution to all employees.

(f) Merit increases to be determined after discussions between Management and the Union."

HISTORY OF NEGOTIATIONS

A joint meeting of the Association and the Union was held on 28th November, 1963, in order to clarify some

of ...

of the demands made by the Union.

On 11th February, 1964, the Guyana Agricultural Workers' Union, an unrecognised Union operating in the industry, called for a stoppage of work on all estates; this was accompanied by violence and intimidation of workers and lasted until 25th July, 1964. Discussions which commenced in February on the payment of a Once-for-All Bonus in respect of 1963, demanded at paragraph (XI) of the letter of 30th October, 1963, were consequently suspended.

In August, 1964, the Union was struck off the roll of registered Trade Unions for failing to comply with certain statutory requirements. Consequently discussions on the payment of a Once-for-All Bonus for 1963 were further suspended. On 17th September, 1964, the Supreme Court ruled that the Union had been wrongfully so struck off. Discussions on this issue were accordingly resumed after this date, and settlement reached on the 1963 Once-for-All Bonus on 17th November, 1964. Targets for the 1964 Overall Annual Production Bonus were agreed on December 4, and on the same day the Association fixed the targets for individual estates.

After several meetings at which no agreement

was

was reached with regard to demands embraced by our terms of reference, the matter was referred by the Union to the Ministry of Labour for conciliation, but on the suggestion of the Conciliator (Mr. Chung, Deputy Commissioner of Labour) a further joint meeting was held between the Association and the Union on 12th April, 1965, but again no agreement was reached.

Several conciliation meetings were held in May and June but the matter remained unresolved.

A meeting was then held with the Acting Minister of Labour, the Honourable Robert Jordan, on 8th June, 1965, at which the Association restated its position and its inability to meet the Union's demands.

Both parties were advised of the appointment of an Advisory Committee, its personnel and its terms of reference on Friday, 25th June, 1965.

In support of its demands THE UNION URGED AS REGARDS:

A. THE ONCE-FOR-ALL BONUS FOR 1964.

- (a) The existence of a formula for arriving at the Once-for-All Bonus, based upon a favourable price differential between the 1956 World Market price of sugar sold on the Free World Market and the price for the year for which the bonus was being claimed plus the

proceeds ...

proceeds of the sale of sugar to the U.S. Market.

(b) That even though the Association claims that in 1964 the Sugar Companies suffered a substantial decrease in revenue,

(i) They nevertheless sold 26,232 tons of sugar to the United States Market at \$173.53 per ton. Had they to sell it at \$105 - \$115 per ton the loss in revenue would have been \$1,535,358.00 which must therefore be considered surplus (based on 1956).

(ii) The average price in 1964 was higher than the more realistic prices to which they have in the past been accustomed and on which they have in previous years budgeted as shown by the following calculation:

Frees 31,872 tons @ \$246.34 = \$7,851,348

At normal world price
31,872 tons @ \$115.00 = \$3,665,280

Difference = \$4,186,068

resulting in a total surplus of \$5,721,426

made up as follows:

From U.S. Market - \$1,535,358

From Frees Market - \$4,186,068

(c) That the workers are entitled to no less than 75% of this amount, that is, \$4,291,069.50.

(d) That the Union had been misled by the Association during the negotiations

for ...

for the Once-for-All Bonus for some of the years during the period under review, by being given wrong figures as to the global profits in the industry and that had they been given the correct figures they would have stood out for higher once-for-all bonuses for those years. That since general and other reserves are carried forward from year to year those errors should be taken into account in considering a once-for-all bonus for 1964.

B. THE ANNUAL PRODUCTION BONUS.

That the colony targets were not achieved as a result of -

- (i) Misrepresentation by the employers with respect to the production estimates given by them to the Union as a basis for fixing the targets.
- (ii) Failure by the employers to carry out an undertaking to the Union to continue grinding until the targets were reached.
- (iii) Unfavourable weather during the month of December.
- (iv) Unavoidable absenteeism due to the elections and the holidays at year end.
- (v) Low yields due to reaping from poor fields as well as reaping unripe cane.
- (vi) The employers endeavouring to save the expenditure of some \$2½ million which they would otherwise have had to pay for bonus, while their loss of profits resulting from not reaching their targets was approximately only \$40,000

(forty...

(forty thousand dollars), and deliberately stopping grinding in order to avoid paying the bonus.

C. ALL THE UNION'S CLAIMS AND IN PARTICULAR THOSE RELATING TO INCREASED WAGES.

That its demands are justified because of the ability of the Association to pay based upon the following considerations:

- (i) The growth in size of the sugar industry in British Guiana including equipment and expansion of cultivation.
- (ii) Rise in efficiency from greater mechanisation and automation and technical improvements in planting.
- (iii) The constant rise in sugar prices under the Commonwealth Sugar Agreement.
- (iv) Substantial increases in the profits of the Sugar Companies with which wage increase have not kept pace.
- (v) Comparatively lower wage rates for sugar workers as compared with other workers in British Guiana.
- (vi) Good marketing possibilities for sugar.
- (vii) The Rehabilitation Fund and its advantages to shareholders.
- (viii) The employers have been understating their profits by diverting a proportion to associated companies which were permitted to overcharge the industry for goods and services or were receiving the product of the industry, e.g. molasses at less than the market

price...

price. Moreover, profits made on rum were not shown as profits of the sugar industry.

(ix) The profits of the industry had substantially increased during the past ten years and were excessive. Instead of being ploughed back into the industry and/or shared with workers in the form of better wages and conditions, the profits were being used for distribution to the shareholders, e.g. through the issue of bonus shares and in 'hedge building', i.e. in investments outside of British Guiana in non-sugar activities.

(x) Depreciation and replacement reserves were provided for at an excessive rate and together with withdrawals from the Rehabilitation Fund, formed a source of hidden revenue which was distributed as dividends or as bonus shares to shareholders.

(xi) The cost of living and the need for improvement in the standard of living.

(xii) The local selling price of sugar should be increased, and the additional revenue applied to meeting part of the cost of the demands for improved wages and conditions of service for workers.

THE ASSOCIATION, ON THE OTHER HAND, MAINTAIN WITH REGARD TO:

A. THE DEMAND FOR A ONCE-FOR-ALL BONUS FOR 1964:

(a) There was never any agreed formula.

(b) From 1961 onwards discussions had always been held against a background best described in terms of the following

extract...

extract of the agreement reached with the Union on 20th January, 1961:

"9. (e) In the event of an abnormal increase or decrease in the price of sugar either for a limited or a long period of time, which affects the profit levels of the companies, discussions may be held, at the request of either the Association or the Union."

(c) Its criterion for the payment of the once-for-all bonus was always the overall profitability of the industry and that where as in 1964 profit levels had not been maintained, the overall profitability of the industry did not justify the payment of a once-for-all bonus.

(d) While it is true that on one or two occasions the figures supplied to the Union as a basis for negotiation for the once-for-all bonus turned out to be lower than the actual returns after trading accounts for the pertinent year had been closed, it must be emphasized that those figures were estimates. The actual figures could only have been ascertained after trading had closed and accounts had been audited. Agreement having been reached for those years, those transactions cannot be re-opened.

B. THE ANNUAL PRODUCTION BONUS

(a) Employees who had the necessary qualifications were paid three days' bonus on those estates which made the targets fixed for them, but where the estate targets were not reached no bonus was paid or indeed payable. In view of the

fact ...

fact that the industry's overall target of 260,000 tons was not reached no employee received six days' pay.

- (b) The responsibility for failure to reach the target lay with the workers who failed to take up the work which was available.

C. THE WAGE CLAIMS IN PARTICULAR AND ALL THE CLAIMS IN GENERAL.

Although the Association is not unmindful of the social considerations involved, it has had no alternative but to reject the demands because

(a) The estimated cost 1964	
<u>Wages Claims only</u> is ..	\$ 4,231,861
The estimated cost 1965	
<u>Wages Claims only</u> is ..	8,612,131
The estimated cost 1965	
<u>Other Claims</u> is ..	6,783,772
Total ..	<u>\$19,627,764</u>

This is exclusive of the amounts claimed for Once-for-All and Annual Production Bonuses for 1964.

- (b) The Union's memorandum contains a number of inaccurate financial statements and meaningless comparisons.

- (c) The wages now paid in the industry compare favourably with wages paid in other industries in the country, but, nevertheless, in making comparisons it is not sufficient merely to look at actual basic wages but also at the overall benefits received by or available to a worker in respect of his employment.

The ...

The numerous fringe benefits which accrue to workers in the industry must also be considered.

- (d) The substantial improvements in wages and other benefits which the Union has secured over the years have only been possible as a result of the industry's undoubted growth and improved efficiency. In fact very considerable improvements have been made in wage rates and fringe benefits and in addition the Association agreed to pay and paid \$13.7M in Once-for-All bonuses in these years when prices and profitability made this possible.
- (e) In the light of the drop in production and extremely poor marketing prospects, further improvements cannot now be made without endangering the viability, indeed the very life, of the sugar industry.
- (f) Over the years, the returns on capital employed have been modest, and in the years with which the Committee is concerned, have fallen, in 1964 to a totally unacceptable level. In 1965, the sugar industry anticipates a serious loss.
- (g) The industry's estimates for 1966/68 provide an equally disturbing picture.
- (h) Quite apart from the marketing and financial position, the effects of drought, arson and sabotage in 1964, with resultant additional costs, will be felt not only in 1964 but for many years to come.
- (i) The Association's policy is one of balanced responsibility to employees, shareholders, the country and customers. To meet these responsibilities, its first responsibility is in fact to stay in business as a viable concern in a harshly competitive world and this is precisely what it is struggling to do.

(1) THE ROLE OF SUGAR IN THE COUNTRY'S ECONOMY

The sugar industry has always played a major role in the economy of British Guiana. It provides employment for approximately 19,000 persons in the canefields and sugar factories during the crop season and is a major source of income for some cane farmers.

Table I shows the industry's contribution to the country's economy during the year 1963.

TABLE I

(1)	(2)	(3)		(4)		(5)	(6)		(7)	(8)	(9)	
Population	Estimated Total Labour Force	Employment in Sugar Industry 1963		Wages in the Sugar Industry		Total Gross Domestic Product	Value of Sugar Rum and Molasses Produced		Per Caput National Income	Total value of all visible Exports	Total value of Exports of Sugar Rum, and Molasses	
		No. of Workers	% of (2)	Amount \$	Per Caput \$		\$	% of (5)			Amount \$	% of (8)
621,390	193,000	19,000	9.8	34,142,000	1,797	275,927,000	72,600,000	26	374	163,389,000	65,498,000	40

The wage figures exclude salaried staff, and represent the minimum weekly average employed. At peak season of harvesting the employment figures are much higher. The estimated total labour force in column (2) includes persons who are unemployed.

Column (3) represents direct employment by the sugar industry; the figures take no account of employment provided by the sugar industry indirectly in the transport, shipping, distributive trades, shopkeepers, etc. With the ever-increasing population pressure and the unemployment situation in the area, it is vital that the sugar industry, by increased outlets for new sugar and expansion of production where this is possible, should be able at least to maintain the present level of employment. It is expected that an important contribution to the country's economy and unemployment problem will be made when the Government and the industry's proposals for the implementation of a peasant cane-farming scheme gets underway. Already in 1963 2,500 cane-farmers and small holders received \$748,000 as payment for canes. From Table I it will be observed that in 1963 the industry provided work for approximately 10% of the country's total estimated labour force, and paid out in wages \$34,142,000. Sugar and its by-products form

26% of the country's gross domestic product and 40% of the value of the country's exports.

The industry makes by far the largest single contribution to the Colony's revenue. Over and above this, very large sums are paid in indirect taxation - customs duties, bill-of-entry taxes, tonnage and light dues levied on shipping. Moreover, in addition to those taxes the industry has made a direct financial contribution to the public purse by the losses it has incurred through the sale of sugar in the local market at a price below that obtainable for exports and, indeed, well below the price received by sugar producers in the other main West Indian Colonies.

It will be seen from Table II hereunder that during the period 1956-1964 the accumulated loss to the industry through this form of subsidisation has amounted to \$6,612,429.65.

Table II...

TABLE II

BRITISH GUIANA SUGAR INDUSTRY

LOCAL SALES OF SUGAR (1956 - 1964)

Year	Tons Sugar Sold	Average Production Cost per ton \$	Average Sales Price per ton \$	Difference \$	Total Loss on produc Cost \$
1956	19,881	158.82	130.91	27.91	554,878.
1957	18,142	163.95	135.25	28.70	520,675.
1958	19,355	159.98	131.75	28.23	546,391.
1959	18,518	164.47	133.67	30.80	570,354.
1960	18,478	156.67	132.86	23.81	439,961.
1961	21,218	163.49	133.81	29.68	629,750.
1962	19,863	154.82	130.00	24.82	492,999.
1963	21,520	182.07	132.68	49.39	1,062,872.
1964	24,519	204.19	131.00	73.19	1,794,545.
	181,494				6,612,429.

4. DEVELOPMENT, 1956-1964

Sugar is produced by eight companies operating eleven factories. The relative position of the companies in terms of sugar produced in 1964 was as follows:

Bookers Sugar Estates Ltd.	..	18,400
Blairmont Estates Ltd.	..	22,054
Demerara Company Ltd.	..	48,047
Enmore Estates Ltd.	..	26,450
Le Ressenouvir Estates Ltd.	..	25,175
Bookers Demerara Sugar Estates Ltd.	..	87,835
Versailles & Schoonord Ltd.	..	9,147
West Bank Estates Ltd.	..	21,270
Total	..	<u>258,378</u>

These figures include farmers' canes ground by some of the Companies.

The development of the industry since 1956 is summarised in Table III which appears hereunder:

Table III ...

TABLE III

PRODUCTION SALES & PRICES: 1956-1964

Year	Total tons Canes Ground (Estates)	Total Tons Sugar Pro- duced (Estates)	Tons Canes Per ton Sugar (Estates)	Tons Sugar produced from farm- ers' Canes	Industry total tons sugar sold	Frees Proceeds from Sugar Sales	Average Selling Price per ton of Sugar
(a)	(b)	(c)	(d)=(b)÷(c)	(e)	(f)=(c)÷(e)		
1956	2,800,576.93	260,035	10.77	3,298	263,333	44,600,108	169.37
1957	2,926,062.97	281,623	10.39	3,350	284,973	54,075,842	189.76
1958	2,423,727.44	301,916	11.34	4,445	306,361	53,107,667	173.35
1959	3,167,897.07	280,097	11.31	4,328	284,425	50,003,647	175.81
1960	3,678,711.92	329,044	11.18	5,397	334,441	57,590,033	172.20
1961	3,506,520.48	319,938	10.96	4,807	324,745	59,761,138	184.02
1962	3,383,225.36	320,381	10.56	5,642	326,023	58,417,995	129.18
1963	3,352,686.88	311,588	10.76	5,549	317,137	73,516,493	231.81
1964	2,936,213.22	253,559	11.58	4,819	258,378	52,448,625	202.99

Note: Total tonnages of Farmers' Canes and tons cane per ton of sugar for farmers' canes are not available.

It will be observed that the production in 1956 was 263,333 tons. There was an increase to 284,973 tons in 1957, a further increase to 306,361 tons in 1958; there was a drop back to 284,425 tons in 1959, an increase to 334,441 tons in 1960. This production of just a little over 300,000 tons was maintained during 1961, 1962 and 1963. In 1964 production dropped to 258,378 tons, the lowest figure during the period under review. It can therefore be said that with the exception of the years 1959 and 1964 there was a healthy growth in the industry's production. The average growth over the period under review was approximately 21%. Gross proceeds from sugar sales rose from \$44.6M in 1956 to an all-time high of \$73.5M in 1963 but then there was a drop in 1964 to \$52.4M. It must be observed, however, that the cost of production fluctuated during the period under review and rose from \$158.82 per ton in 1956 to 204.19 per ton in 1964. The admitted improvements in various areas of the industry's operations were, in the face of rising costs and uncertain fluctuating markets, essential for the survival of the industry.

Table IV is a comparison of factory and field data in the year 1952 and the year 1963.

Table IV...

TABLE IV
THE SUGAR INDUSTRY IN BRITISH GUIANA
- COMPARISON OF FACTORY DATA -

	1952	1963	% Difference
1. Mean number of weeks grinding	31	32	+ 3.22
2. Mean time grinding per week - hours	106	120	+ 13.21
3. Mean total hours grinding (1 x 2)	3,286	3,840	+ 16.86
4. Mean hours lost per week - factory stoppages, week-end stoppages, etc.	62	48	- 22.58
5. Total tons cane ground	2,672,493	3,416,929	+ 27.85
6. Tons sugar	242,692	317,137	+ 30.67
7. Tons cane per ton sugar (5 ÷ 6)	11.01	10.77	- 2.18
8. <u>FACTORY CAPACITY</u> - i.e. tons cane per hour (5 ÷ 3)	813	890	+ 9.47

COMPARISON OF FIELD DATA

1. Tons cane reaped	2,672,493	3,416,929	+ 27.85
2. Tons cane per punt load	4.89	6.21	+ 26.99

From this it will be observed that in the field cutting and loading operations increased by 27.85 and 26.99 per cent respectively, while factory capacity production increased by 9.47 per cent. This is obviously due to improved equipment in the factory and some degree of mechanisation in the field. While it is true that mechanisation and improved factory equipment have resulted in a reduction of the labour force, the evidence before us seems to establish that those now employed have more work available to them. This modernisation of factory equipment and mechanisation of some field operations is the result of the implementations of the recommendations of the Venn Commission, and is in keeping with trends all over the world and indeed with common sense.

Although the social effects of retrenchment must be considered and efforts made to re-distribute retrenched workers, nevertheless the steps taken by the industry to increase its productivity were, and continue to be, essential if the industry is to survive in an atmosphere of rising costs, uncertain fluctuating and highly competitive markets.

5. MARKETING AND SALES

Four markets are available to British Guiana for the sale of its sugar:

- | | | |
|-----|-----------------------------------|----------|
| (1) | The Negotiated Price Quota Market | - N.P.Q. |
| (2) | The U.S.A. Market | - U.S.A. |
| (3) | The Free Market | - Frees. |
| (4) | The Local Market | - Local. |

Table V summarizes the "Sales Mix" for the period under review.

TABLE V
MARKETS AND SALES

	1954			1957			1958			1959			1960		
	Tons	Average Price	Value \$	Tons	Average Price	Value \$	Tons	Average Price	Value \$	Tons	Average Price	Value \$	Tons	Average Price	Value \$
N.P.Q.	162,607	183.38	29,819,043	153,181	181.71	29,366,329	154,561	199.09	30,772,411	159,630	205.70	32,835,690	167,724	202.00	33,880,873
U.S.A.	-	-	-	-	-	-	-	-	-	-	-	-	29,571	201.13	5,917,752
Frees	80,845	150.64	12,176,455	113,650	195.83	22,255,807	132,445	149.38	19,785,225	106,277	138.24	14,692,365	118,668	128.98	15,306,358
Locals	19,881	130.91	2,602,610	16,142	135.25	2,453,706	19,355	131.75	2,550,031	18,518	133.67	2,475,392	18,478	132.86	2,455,050
TOTAL	263,333	169.37	44,600,108	284,973	189.76	54,075,842	306,361	173.35	53,107,667	284,425	175.81	50,003,647	334,441	172.20	67,590,033
	1961			1962			1963			1964			1965		
	Tons	Average Price	Value \$	Tons	Average Price	Value \$	Tons	Average Price	Value \$	Tons	Average Price	Value \$	Tons	Average Price	Value \$
N.P.Q.	166,075	207.25	34,419,585	165,966	211.01	35,020,597	166,019	209.26	34,745,136	175,844	208.95	36,742,458	185,520	209.08	38,788,330
U.S.A.	80,145	190.78	15,289,985	65,180	182.10	11,869,256	36,158	232.00	8,388,656	26,232	173.53	4,552,141	29,016	203.40	5,901,874
Frees	57,307	125.85	7,212,340	75,014	119.26	8,946,119	93,440	294.60	27,529,427	31,783	249.88	7,941,920	66,609	113.68	7,799,746
Locals	21,218	133.81	2,839,228	19,863	130.00	2,582,023	21,520	132.68	2,855,274	24,519	131.00	3,212,120	23,000	132.61	3,050,002
TOTAL	324,745	184.02	59,761,138	326,023	179.18	58,417,995	317,137	231.81	73,516,493	258,376	202.99	52,448,625	306,145	181.42	55,539,952

. . . N.P.Q. The N.P.Q. market is a result of the Commonwealth Sugar Agreement signed in 1951, and at present running to 31st December, 1972. This Agreement was executed by the Minister of Food on behalf of Her Majesty's Government in the United Kingdom and the Sugar Producers' Associations of the following territories:

- (a) Australia.
- (b) Union of South Africa.
- (c) British West Indies (Antigua, Barbados, British Guiana, Jamaica, St. Kitts, St. Lucia and Trinidad).
- (d) Mauritius.

Under the Agreement the United Kingdom currently pays the negotiated price for a total of 1,692,500 tons a year from Commonwealth exporters, of which British Guiana's basic allocation for 1965 is 181,805 tons. These quantities have shown an increase over recent years, partly to reflect increases in U.K. consumption and partly because of re-allocations of quotas following South Africa's leaving the Commonwealth (and the Commonwealth Sugar Agreement) and because St. Lucia no longer exports sugar.

The total of the negotiated price quotas and the sugar derived from U.K. beet now represents some 97% of U.K. consumption, and for technical and political reasons another 2% or so has to be reserved for foreign imports. Moreover,

U.K. ...

U.K. consumption is now virtually static, so that the prospects are negligible for any increase in the total of the negotiated price quotas.

The Agreement provides for the purchase by the United Kingdom Government of the quantities of the Negotiated Price Quota annually at a Negotiated Price "reasonably remunerative to efficient producers" and stipulates a single price applicable to all Commonwealth Exporting territories. The price-fixing method is set out in the Agreement and provides for an index to be compiled of wages and prices of goods and services entering into the costs of production. The basic concept underlying the agreement was the establishment of a price that would preserve the purchasing power of a sack of sugar in terms of imported goods used in the sugar industry and of imported foodstuffs, clothing, etc., consumed by sugar workers.

The Agreement established a basic price for 1950 of \$146.40 per ton, which was accepted as a reasonable base by the parties to the Agreement; and provided for annual price negotiations aimed at achieving a new single price to reflect changes in the levels of wages and other cost factors relating to export sugar. In accordance with the provisions of the Agreement the working of the price-fixing system was informally ...

informally reviewed at the request of the Ministry of Food in 1955 and 1959 and new prices were established. These exercises are termed "Formula Reviews". Price movements between the base years - called the Price Index - are determined along the lines of a formula set out in an appendix to the Agreement which measures changes in price, entering into the costs under the three main headings of (1) wages and salaries; (2) supplies; (3) other charges. The Negotiated Price rose steadily from \$160.40 per ton for 1950 to \$223.20 for 1964, the average price for 1964 being \$208.95, which is just \$4.76 above the cost of production.

The Committee was fortunate to receive, in the course of the preparation of its report, the results of the 1965 Commonwealth Sugar Agreement negotiations, the effect of which is as follows:

In 1965 the industry will receive for approximately 185,000 tons of its sugar sold under the N.P.Q. -

Basic	\$201.60
Fixed amount in lieu of Colonial Preference ..	<u>6.36</u>
	\$207.96
Special payment for develop- ing territories ..	<u>15.60</u>
	<u>\$223.56</u>

These ...

These are fixed amounts which bear no relation to world market prices.

Under the new price arrangements which come into effect in 1966 and are operative to 1968 the position is as follows:

Basic	\$208.80
Fixed amount in lieu of Colonial Preference ..	7.20
Variable for developing territories ..	<u>12.00 - Maximum</u>
	<u>\$228.00</u>

The variable amount of \$12 referred to above is now related to the world price of sugar and this amount decreases as the world price of sugar increases. The following tabulation sets out the variable amount linked to world prices -

<u>World Prices</u>	<u>Supplement</u>
Under \$148.80	\$12.00
\$148.00 - \$158.30	10.80
\$158.40 - \$167.98	9.60
\$168.00 - \$177.58	8.40
\$177.60 - \$187.18	7.20
\$187.20 and over	nil

The world price is determined for any particular year by taking the average world price for the 12-month period previous to 31st March of that year. Hence in 1966 the

world ...

world price would be the average of the 12-month period 1st April, 1965, to 31st March, 1966, so that the price for our 1966 Negotiated Price Sugar will not be finalised until April 1966.

If world prices remain as in 1965 the industry will receive \$4.44 per ton (the difference between \$228.00 and \$223.56) more on Negotiated Price Quota sugar in 1966, yielding a maximum gross benefit of some \$820,000 on a Negotiated Price Quota of approximately 185,000 tons. However, this figure (\$4.44 per ton) decreases when world prices increase, and current world prices would have to double in order to cover the industry's present cost of production.

Since the bulk of the difference between the Negotiated Price Quota and British Guiana's total exports must be sold at prices based on the world price, we agree with the warning on total revenue by Sir Robert Kirkwood, Chairman of the British West Indies Sugar Association, when commenting on 1st December on the new arrangements:

"I wish to utter a word of warning. The increased take-home price for our negotiated price sugar will not, I repeat not, offset the fall in the world price of sugar since the beginning of 1965. In fact we estimate that in spite of the increase in the NPQ take-home price the average price of our 1966 crop sales - on

the...

the basis of the present world sugar price will definitely be less than for the 1965 crop."

Notwithstanding this, it is clear that the industry now has for 60% of its sugar through sales at NPQ prices a guaranteed market at a guaranteed price which is not only reasonably remunerative to the efficient producer but goes some way - although not all the way - towards offsetting the loss on the world market.

U.S.A.

The sugar arrangements within the U.S.A. are determined by legislation and the Government decisions which lay down the proportion of U.S. requirements to be met from domestic production and from imports from various areas, and also lay down the mechanism by which the prices for domestic production and imports are determined.

The U.S. Administration is continuously subject to great pressure to grant increased quotas for domestic producers and for overseas countries, particularly Latin-American countries who can argue that they benefit from no protective arrangements elsewhere.

The price of sugar sold to the U.S.A. is currently determined by the relationship between U.S.

consumption...

consumption and the total of the quotas permitted by the administration. This year, the average price to British Guiana is estimated to be \$203.40 per ton and the quota allocated to British Guiana approximately 30,000 tons. which would yield a sales revenue of \$5,900,000. Having regard to the cost of production of \$184.89 per ton, the nett gain from U.S. sales will be \$555,300.

The Free Market (Frees).

The word 'frees' refers to that part of British Guiana exports which is sold at prices directly related to the free world market price. The frees from British Guiana are sold almost entirely in Canada in order to take advantage of the tariff preference granted by Canada to Commonwealth producers (and still to South Africa). The Canadian market is under great pressure from traditional Commonwealth suppliers, from the new members of the Commonwealth Sugar Agreement (India, Rhodesia and Swaziland), and from South Africa. Against this competition it is a tough struggle to maintain British Guiana's share of it - and no other market, even if it were accessible to British Guiana, provides comparable preference. The price received by British Guiana for sales to Canada is ...

is the world price plus a part of the Canadian preference, which is \$36 per ton. The greater the pressure on the Canadian market, the greater the erosion of the premium which Commonwealth exporters can obtain from Canada by virtue of the preference.

Free quota prices are based on world prices which, as can be seen from Table VI hereunder, have been the very opposite of steady.

TABLE VI
LONDON DAILY PRICE
(Annual Average CIF U.K.)

<u>Year</u>	<u>\$ per ton</u>	<u>Index</u> (1956 = 100)
1956	168.00	100
1957	225.50	134
1958	150.62	90
1959	131.09	78
1960	136.70	81
1961	123.26	73
1962	122.83	73
1963	344.16	205
1964	245.35	146
1965 (first half year)	111.33	66

Even with the Canadian preference of \$36 per ton this price is below the cost of production.

At no time since the war have the market prospects for...

for "frees' been worse than those confronting the industry today. We quote the following extracts from a report published in the Guiana Graphic of August 3rd, 1965, which sets out the current sugar world market situation very clearly:

"Sugar prices on the free world market are lower than at any time since the end of the Second World War, and producing countries largely dependent on the free world market are in an extremely difficult situation, according to the Food and Agriculture Organization's leading authority on the sugar economy.

Mr. A. Viton, Chief of FAO's Sugar and Beverages Section, said in Rome that this year's sugar harvest was expected to be eight to ten million tons above last year's crop of 54.5 million tons

'The world market is demoralized,' he said since prices on the free market had never been so low

In terms of purchasing power, the present free market price is 10 to 25 per cent lower than even during the pre-war depression years 1934-38."

The evidence before us confirms this view.

In the absence of an effective international sugar agreement there is no indication of any increase in world prices above the present levels. A conference to negotiate such an agreement was held in September 1965, but

no ...

no decision was reached. Even if and when an agreement is reached, it can only be effective in raising the world price if it achieves a drastic cut in sales on the world market, and this cannot fail to include a cut in sales from British Guiana.

Any cut in British Guiana total sales would increase the unit costs of production and thus exacerbate the industry's serious losses. It seems, therefore, that the industry cannot look for any relief by way of any substantial improvement in the current low free world market price, and although the cushion arranged under the new Commonwealth Agreement will in some way mitigate the loss which must be anticipated, it will by no means offset it.

The Local Market

Over 22,000 tons of sugar are sold on the local market at Government controlled prices which are considerably less than the cost of producing the sugar. The controlled prices for the various grades of sugar sold on the local market are:

Type of Sugar	Retail Prices (per lb.)	Wholesalers' Prices (per ton)	Producers' Prices (per ton)	Tons Sold 1964
D.C. ('Raws')	6½¢	\$129.92	\$126.56	19,416 (86.416%)
U.C. ('Yellows')	7½¢	154.56	151.20	212 (0.944%)
C.W. ('Whites')	9½¢	196.00	192.64	2,840 (12.640%)

These prices were fixed as from 29th September, 1951.

The amount of sugar from each year's production sold on the local market has risen from a little more than 16,000 tons in 1951 to 24,500 tons in 1964. (See Table II).

It will be seen that the bulk of the sugar consumed locally is D.C. sugar which in 1964 comprised more than 86% of the total consumption. The difference between selling price and total cost per ton is now in the vicinity of \$75.00 per ton. Over the last two years, even C.W. sugar (the highest-priced grade) has had to be sold locally at less than the cost of production. Consequently this market can contribute nothing to the industry's profitability unless a cushion is provided by way of an increase on local sales.

ACCORDINGLY WE RECOMMEND an increase of 2½¢ on

the ...

the local selling price of D.C. sugar with appropriate adjustments on the other grades.

6. THE FINANCES OF THE SUGAR INDUSTRY.

In order to comply with its terms of reference it became incumbent upon the Committee to examine the finances of the companies comprising the Association. To this end the Committee examined detailed consolidated statements of the industry's accounts covering the years 1956-1964, inclusive, and estimates for the year 1965 prepared for purposes of the enquiry and tendered in evidence thereat. The Committee also requested and obtained from the Association supplementary information and explanation which enabled it to analyse and interpret the material tendered.

We set out below tables VII to XVI:

Table VII comprises the Consolidated Balance Sheets of the companies in the sugar industry as at 31st December, 1956, to 1964, submitted by the Association.

Table VIII shows a break down of other assets included in Table VII

Table IX is a Consolidated statement of Profit and Loss and Appropriations thereof of the companies comprising ...

comprising the sugar industry as submitted by the Association.

Table X shows Consolidated Statements of Revenue and Expenditure of the industry for the years 1956 to 1964 submitted by the Association.

Table XI is an Analysis of Income from Investments by the industry in other assets, included in Table IX.

Table XII shows the Revenue and Expenditure of the sugar industry, expressed in costs per ton for the years 1956-1964, as submitted by the Association .

Table XIII shows particulars of Returns on Capital employed in the sugar industry (exclusive of the production of raw spirits).

Table XIV is a Reconciliation of the Global Profits, as submitted by the Association, with profits adjusted for taxation purposes.

Table XV shows the Net Book Value of Land (excluding Demerara Co. Ltd.) included in Net Book Value of Fixed Assets.

Table XVI shows the rate of Depreciation applied within the industry.

TABLE VII
CONSOLIDATED BALANCE SHEETS OF THE COMPANIES COMPRISING
THE SUGAR INDUSTRY IN BRITISH GULANA
AT 31ST DECEMBER 1956 TO 1964

<u>ASSETS</u>	1956	1957	1958	1959	1960	1961	1962	1963	1964
SUGAR PRODUCTION									
Fixed Assets at Cost less Depreciation	\$50,906,926	\$53,110,501	\$55,251,056	\$56,515,755	\$59,153,797	\$40,150,550	\$59,329,136	\$40,277,611	\$44,540,894
Current Assets									
Stock & Stores	\$ 5,672,045	\$ 4,864,300	\$ 4,458,154	\$ 4,345,075	\$ 4,820,400	\$ 4,808,953	\$ 3,982,315	\$ 5,071,949	\$ 4,650,757
Unsold Produce	7,341,960	7,051,045	5,217,216	5,146,982	6,612,370	6,875,750	4,507,814	8,671,099	3,893,266
Debtors	1,511,342	362,944	1,729,003	1,721,280	2,088,120	2,500,478	3,023,554	8,019,432	3,396,734
Cash	165,850	211,829	168,173	116,899	154,166	79,037	70,502	90,643	97,022
	\$14,691,177	\$12,990,519	\$11,572,546	\$11,330,236	\$13,675,056	\$14,264,198	\$11,584,185	\$21,853,123	\$12,017,779
Less: Creditors	2,257,603	3,661,440	3,382,862	2,355,830	5,663,438	7,861,589	7,256,298	9,919,176	3,806,635
Net Current Assets	\$12,433,574	\$ 9,329,179	\$ 8,189,684	\$ 8,974,406	\$ 8,011,618	\$ 6,402,609	\$ 4,347,887	\$11,933,947	\$ 8,211,144
B.G. Development Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 332,453	\$ 2,315,203	\$ 2,060,200
Total Sugar Assets	\$43,340,500	\$42,439,690	\$43,440,740	\$45,490,161	\$47,165,415	\$46,553,159	\$44,009,476	\$54,526,761	\$54,832,238
INVESTMENTS IN OTHER ASSETS	\$ 7,047,480	\$ 8,896,224	\$10,088,424	\$10,390,067	\$12,197,894	\$14,732,832	\$ 7,967,381	\$ 9,609,777	\$ 6,485,558
BALANCES WITH FELLOW SUBSIDIARIES	\$(5,702,107)	\$ 2,085,925	\$ 4,224,014	\$ 5,297,621	\$ 8,819,363	\$11,659,957	\$16,771,363	\$12,845,018	\$12,232,321
	\$44,685,873	\$53,422,829	\$57,753,178	\$61,677,849	\$68,182,672	\$72,925,948	\$68,748,220	\$76,981,556	\$73,550,117

/ LIABILITIES ...

CONSOLIDATED BALANCE SHEETS OF THE COMPANIES COMPRISINGTHE SUGAR INDUSTRY IN BRITISH GULANAAT 31st DECEMBER, 1956 TO 1964**LIABILITIES**

	1956	1957	1958	1959	1960	1961	1962	1963	1964
Capital and Reserves									
Issued Share Capital	\$17,517,580	\$17,517,500	\$17,505,000	\$17,505,000	\$21,055,193	\$32,928,950	\$32,894,232	\$32,656,248	\$32,656,248
Capital Reserves, being-									
Sugar Industry Rehabilitation (excluding Demerara Company Ltd.)	5,383,224	6,794,304	8,359,867	9,811,507	11,071,435	2,655,638	4,278,067	5,906,146	7,914,893
Other (including Demerara Company Ltd. Rehabilitation)	5,936,899	7,353,370	8,553,830	9,915,835	9,035,606	12,175,666	8,824,459	9,178,387	10,221,797
Replacement Reserves	8,071,800	8,988,931	9,652,267	10,177,416	9,317,703	5,789,875	7,451,554	8,136,158	7,926,874
Revenue Reserves-									
General	6,185,986	6,900,787	8,384,127	8,550,864	9,096,384	10,088,856	5,862,326	5,867,808	5,867,808
Unappropriated Profits	2,071,723	2,459,807	2,777,641	4,021,381	4,016,873	3,825,974	4,073,634	4,772,857	3,379,191
	\$45,167,132	\$50,014,699	\$55,232,732	\$59,985,003	\$63,592,894	\$67,464,959	\$63,384,272	\$66,517,604	\$67,966,811
Excess of Cost over Par value of Shares in Subsidiary Companies	(7,306,411)	(7,306,411)	(7,313,530)	(7,313,530)	(5,478,026)	(3,829,507)	(3,814,805)	(3,706,238)	(3,706,238)
	\$37,860,721	\$42,708,288	\$47,919,202	\$52,671,473	\$58,114,868	\$63,635,452	\$59,569,467	\$62,811,366	\$64,260,573
Loan Stock	\$ 432,000	\$ 408,000	\$ 384,000	\$ 360,000	\$ 336,000	\$ 312,000	-	-	-
Liabilities and Provisions									
Taxation	\$ 5,012,261	\$ 8,677,834	\$ 7,230,869	\$ 6,523,795	\$ 7,237,987	\$ 7,395,523	\$ 7,627,906	\$12,048,605	\$ 8,235,643
Dividends	600,374	757,843	591,581	591,586	855,250	984,590	1,036,123	1,609,416	698,155
Pensions	780,517	870,864	1,459,420	1,530,995	1,638,567	557,569	495,673	483,585	355,746
Bank Loans	-	-	168,106	-	-	40,814	19,051	28,584	-
	\$ 6,393,152	\$10,306,541	\$ 9,449,976	\$ 8,646,376	\$ 9,731,804	\$ 8,978,496	\$ 9,178,753	\$14,170,190	\$ 9,289,544
	\$44,685,873	\$53,422,829	\$57,753,178	\$61,677,849	\$68,182,672	\$72,925,948	\$68,748,220	\$76,981,556	\$73,550,117

ANALYSES OF OTHER ASSETS1956 to 1964

	Rum	Other	Total per Consolidation
1956	\$ 1,459,613	\$ 5,587,867	\$ 7,047,480
1957	\$ 2,131,051	\$ 6,765,173	\$ 8,896,224
1958	\$ 2,640,000	\$ 7,448,424	\$10,088,424
1959	\$ 1,518,408	\$ 9,371,659	\$10,890,067
1960	\$ 1,595,198	\$10,602,696	\$12,197,894
1961	\$ 1,679,846	\$13,052,986	\$14,732,832
1962	\$ 1,877,818	\$ 6,089,563	\$ 7,967,381
1963	\$ 1,741,051	\$ 7,868,726	\$ 9,609,777
1964	\$ 1,815,240	\$ 4,670,318	\$ 6,485,558
	\$16,458,225	\$71,457,412	\$87,915,637

1956	\$ 1,459,613	\$ 5,587,867	\$ 7,047,480
1957	\$ 2,131,051	\$ 6,765,173	\$ 8,896,224
1958	\$ 2,640,000	\$ 7,448,424	\$10,088,424
1959	\$ 1,518,408	\$ 9,371,659	\$10,890,067
1960	\$ 1,595,198	\$10,602,696	\$12,197,894
1961	\$ 1,679,846	\$13,052,986	\$14,732,832
1962	\$ 1,877,818	\$ 6,089,563	\$ 7,967,381
1963	\$ 1,741,051	\$ 7,868,726	\$ 9,609,777
1964	\$ 1,815,240	\$ 4,670,318	\$ 6,485,558
	\$16,458,225	\$71,457,412	\$87,915,637

TABLE IX

CONSOLIDATED STATEMENTS OF PROFIT & LOSS & APPROPRIATIONS
THEREOF OF THE COMPANIES COMPRISING THE SUGAR INDUSTRY
IN BRITISH GUIANA FOR THE YEARS 1956 TO 1964

	1956	1957	1958	1959	1960	1961	1962	1963	1964
Consolidated Sugar Profits per Globals	\$ 680,622	\$3,375,966	\$2,409,310	\$2,050,800	\$2,461,296	\$2,469,526	\$ 3,471,896	\$6,557,716	\$ 1,177,376
<u>Add:- Items not relevant to Sugar Globals:-</u> (Losses in brackets)									
Sale of Fixed Assets	\$ 86,172	\$ (26,737)	\$ 14,837	\$ 208,963	\$ 181,649	\$ 482,526	\$ 189,329	\$ (314,458)	\$ 27,249
Bartica Electricity Works	(26,853)	(12,211)	(10,387)	(11,395)	3,383	2,510	5,455	(7,075)	384
Income from Investments in other assets	783,587	682,591	865,720	552,349	722,788	506,478	500,950	274,177	474,071
Sale of Investments	2,155	273							
Transfers from Reserves:-									
Replacement	61,726								
General Capital				313,262			4,336,963	2,805,115	
Subsidiary Companies profits less U.K. tax (Demerara Co.)	178,822								
Transfer by Demerara Co. of accumulated losses of subsidiary companies to the accounts of those companies		219,368							
Over and under provisions of taxation and other items (net)					(10,000)	(588)			
	\$1,145,669	\$ 683,300	\$ 670,170	\$1,063,179	\$ 897,730	\$ 970,926	\$7,637,812	\$ (47,356)	\$ 501,704
	\$2,038,291	\$4,239,286	\$3,279,480	\$3,093,979	\$3,359,026	\$3,440,452	\$11,309,708	\$6,510,360	\$1,679,080
<u>Less:- Items not relevant to Sugar Globals:-</u>									
Dividends	\$1,322,666	\$3,096,382	\$1,697,920	\$1,330,239	\$2,609,867	\$2,330,124	\$11,003,495	\$6,726,747	\$2,159,515
Transfers to Reserves:-									
General Investment	331,380	714,800	1,223,726	480,000	663,977	1,022,472	110,431	26,000	
Loan Stock Redemption	40,000	40,000	40,000	40,000	50,000	40,000			
Expenses of Increasing Share Capital						143,004	4,593		
Expenses of Increasing Investments								4,354	
Over and (under) provisions of Once For All Bonus						93,784	(82,471)	(921,064)	913,231
Capitalisation by Bonus Issue						1,657			
	\$1,693,966	\$3,951,182	\$2,961,646	\$1,850,239	\$3,363,834	\$3,631,051	\$11,062,048	\$5,811,137	\$3,072,746
	\$ 342,425	\$ 388,084	\$ 317,834	\$1,243,740	\$ (4,808)	\$ (190,599)	\$ 247,660	\$ 699,223	\$ (1,393,666)
<u>Profit & Loss Account:-</u>									
Balance at the beginning of the year	\$1,729,298	\$2,071,723	\$2,469,807	\$2,777,641	\$4,021,381	\$4,016,573	\$3,825,974	\$4,073,634	\$4,772,857
Balance carried to Balance Sheet at the end of the year	\$2,071,723	\$2,459,807	\$2,777,641	\$4,021,381	\$4,016,573	\$3,825,974	\$4,073,634	\$4,772,857	\$3,379,191

TABLE X

CONSOLIDATED STATEMENTS OF REVENUE & EXPENDITURE

OF THE SUGAR INDUSTRY IN BRITISH GULANA

FOR THE YEARS 1956 TO 1964

<u>SUGAR</u>	<u>1956</u> <u>Tons</u>	<u>1957</u> <u>Tons</u>	<u>1958</u> <u>Tons</u>	<u>1959</u> <u>Tons</u>	<u>1960</u> <u>Tons</u>	<u>1961</u> <u>Tons</u>	<u>1962</u> <u>Tons</u>	<u>1963</u> <u>Tons</u>	<u>1964</u> <u>Tons</u>
Colony Productions	263,333	284,973	306,361	284,425	334,441	324,745	326,023	317,137	258,378
Sugar Revenue	\$44,600,108	\$54,075,842	\$53,107,667	\$50,003,647	\$57,590,033	\$59,761,138	\$58,417,995	\$73,516,493	\$52,448,625
Cost of Production	37,023,316	42,760,310	43,467,902	42,239,101	48,085,042	51,083,927	48,250,279	58,385,286	46,959,200
Net Revenue	\$ 7,576,792	\$11,315,532	\$ 9,639,765	\$ 7,764,546	\$ 9,504,991	\$ 8,677,211	\$10,167,716	\$15,131,207	\$ 5,489,425
Molasses Revenue	\$ 1,800,296	\$ 3,411,873	\$ 2,876,245	\$ 2,738,445	\$ 1,951,392	\$ 2,594,077	\$ 2,865,141	\$ 5,838,250	\$ 4,152,398
Sundry Revenue	2,139,408	2,266,612	2,543,301	2,008,143	2,795,514	2,147,163	1,816,617	1,899,581	2,836,622
Total Other Revenue	\$ 3,939,704	\$ 5,678,485	\$ 5,419,546	\$ 4,746,588	\$ 4,746,906	\$ 4,741,240	\$ 4,681,758	\$ 7,737,831	\$ 6,989,020
Sundry Expenditure	1,983,401	2,262,559	2,555,928	2,222,012	2,945,401	2,303,200	1,740,475	1,862,966	2,090,285
Net Other Revenue	\$ 1,956,303	\$ 3,415,926	\$ 2,863,618	\$ 2,524,576	\$ 1,801,505	\$ 2,438,040	\$ 2,941,283	\$ 5,874,865	\$ 4,898,735
Interest	\$ 425,290	\$ (950)	\$ (197,342)	\$ (280,156)	\$ (532,757)	\$ (509,035)	\$ (562,190)	\$ (92,498)	\$ (73,714)
Audit Fees	-	-	-	-	-	14,050	21,741	25,729	26,242
Depreciation & Replacement Reserve	4,369,508	4,509,363	4,545,475	3,941,218	4,468,071	4,376,516	4,297,978	4,287,173	4,806,077
Pensions	429,711	452,954	997,627	596,746	739,146	630,847	777,010	1,069,593	993,011
Taxation (Including prior year Adjustments)									
Income	3,417,964	6,394,125	4,748,313	4,000,414	4,170,740	4,133,347	4,809,331	8,607,452	2,929,560
Property	-	-	-	-	-	-	293,233	510,907	529,608
Total Payments and Provisions	\$ 8,642,473	\$11,355,492	\$10,094,073	\$ 8,258,322	\$ 8,845,200	\$ 8,645,725	\$ 9,637,103	\$14,448,356	\$ 9,210,784
SURPLUS	\$ 890,622	\$ 3,375,966	\$ 2,409,310	\$ 2,030,800	\$ 2,461,296	\$ 2,469,526	\$ 3,471,896	\$ 6,557,716	\$ 1,177,376

TABLE XI

ANALYSIS
OF

Income From Investments in Other Assets

Year	Rum	Other	Total per Consolidation
1956	\$ 739,304	\$ 54,283	\$ 793,587
1957	573,766	108,825	682,591
1958	756,167	109,553	865,720
1959	464,495	87,854	552,349
1960	642,913	79,885	722,798
1961	487,820	18,658	506,478
1962	403,255	97,695	500,950
1963	184,228	89,949	274,177
1964	330,575	143,496	474,071
Total	\$4,582,523	\$ 790,198	\$5,372,721

TABLE XII

CONSOLIDATED STATEMENT OF REVENUE AND
EXPENDITURE OF THE SUGAR INDUSTRY IN BRITISH GUIANA
FOR THE YEARS 1956 - 1964
(EXPRESSED AS COST PER TON)

	1956	1957	1958	1959	1960	1961	1962	1963	1964
Colony Production - Tons	263,333	284,975	306,361	284,425	334,441	324,745	326,023	317,137	258,378
	Per Ton	Per Ton	Per Ton	Per Ton	Per Ton	Per Ton	Per Ton	Per Ton	Per Ton
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sugar Revenue	169.37	189.76	175.35	175.81	172.20	184.02	179.18	231.81	202.99
Less: Cost of Production (Excl. Once For All Bonus)	140.60	146.56	141.88	148.51	141.12	148.12	139.32	165.31	181.75
Depreciation & Replacement Reserve	16.59	15.82	14.84	13.86	13.36	13.48	13.88	15.52	18.60
Pensions	1.63	1.59	3.26	2.10	2.21	1.94	2.38	3.37	3.84
TOTAL COST OF PRODUCTION	158.82	163.97	159.98	164.47	156.69	163.54	154.88	182.20	204.19
NET REVENUE - SUGAR	10.55	25.79	13.37	11.34	15.51	20.48	24.30	49.61	(1.20)
Molasses Revenue	6.84	11.97	9.39	9.63	5.83	7.99	8.79	18.41	16.07
Sundry Revenue	8.12	7.95	8.30	7.06	8.36	6.61	5.97	5.99	10.98
TOTAL OTHER REVENUE	14.96	19.92	17.69	16.69	14.19	14.60	14.36	24.40	27.05
Sundry Expenditure	7.53	7.94	8.34	7.81	8.81	7.09	5.34	5.87	8.09
NET OTHER REVENUE	7.43	11.98	9.35	8.88	5.38	7.51	9.02	18.53	18.96
Surplus Before Taxation	17.98	37.77	22.72	20.22	20.89	27.99	33.32	68.14	17.76
Taxation (Incl. Prior Year Adjustment, but not tax on Once for All Bonus)									
Income	12.98	24.01	15.50	14.06	13.66	16.86	18.66	35.59	11.34
Property	-	-	-	-	-	-	.90	1.62	2.05
TOTAL TAXATION	12.98	24.01	15.50	14.06	13.66	16.86	19.56	37.21	13.39
Surplus After Taxation	5.00	13.76	7.22	6.16	7.23	11.13	13.76	30.93	4.37
Deduct: Once For All Bonus	-	3.49	-	-	2.66	9.18	8.67	18.79	-
Less: Tax on Bonus	-	1.57	-	-	1.20	4.13	3.90	8.45	-
NET COST OF ONCE FOR ALL BONUS	-	1.92	-	-	1.46	5.05	4.77	10.34	-
Surplus to Industry	5.00	11.84	7.22	6.16	5.77	6.08	8.99	20.59	4.37
Deduct: Interest Paid/(Received)	1.62	-	(.64)	(.98)	(1.59)	(1.57)	(1.72)	(.16)	(.28)
Audit Fees	-	-	-	-	-	.04	.06	.08	.10
Surplus As Per Audited Globals	3.38	11.84	7.86	7.14	7.36	7.61	10.65	20.87	4.55

TABLE XIII

PORTRAYAL OF RETURN ON CAPITAL EMPLOYED IN THE SUGAR INDUSTRY
(EXCLUSIVE OF RAW SPIRITS)

	1956	1957	1958	1959	1960	1961	1962	1963	1964
Capital	\$43,340,500	\$42,439,680	\$43,440,740	\$45,490,161	\$47,165,415	\$46,553,159	\$44,009,476	\$54,526,761	\$54,832,238
Profits after Tax	\$ 890,622	\$ 3,375,966	\$ 2,409,310	\$ 2,030,800	\$ 2,461,296	\$ 2,469,526	\$ 3,471,896	\$ 6,557,716	\$ 1,177,376
Return %	2.05	7.95	5.57	4.48	5.22	5.28	7.89	12.03	2.14

Note: Average for 8 years, 1956 - 1963 = 6.4%
 Actual for 1 year, 1964 = 2.1%

TABLE XIV

BRITISH GUIANA SUGAR INDUSTRY

RECONCILIATION OF GLOBAL PROFITS WITH PROFITS ADJUSTED FOR TAXATION PURPOSES

1960 TO 1964

TO NEAREST \$1,000

	1960	1961	1962	1963	1964
Global Profits	\$ 2,461,000	\$ 2,470,000	\$ 3,472,000	\$ 6,558,000	\$ 1,177,000
<u>Add:-</u>					
Provision for Income Tax	4,171,000	4,133,000	4,809,000	8,607,000	2,930,000
Provision for Property Tax	-	-	293,000	511,000	529,000
Depreciation and Replacement Reserves charged in Accounts	4,468,000	4,377,000	4,298,000	4,287,000	4,806,000
Provisions for disallowable expenditure and other adjustments	611,000	382,000	495,000	903,000	459,000
Difference between Pensions charged in Accounts and Pensions allowed for Taxation purposes	116,000	(126,000)	(168,000)	106,000	(111,000)
Current year losses (in respect of which no taxation relief obtained)	-	66,000	-	-	-
	\$11,827,000	\$11,302,000	\$13,199,000	\$20,972,000	\$ 9,790,000
<u>Deduct:-</u>					
Wear and Tear and Replacement allowed for taxation purposes	\$ 2,535,000	\$ 2,164,000	\$ 2,030,000	\$ 1,825,000	\$ 3,094,000
Prior year losses brought forward	23,000	-	102,000	5,000	-
	\$ 2,558,000	\$ 2,164,000	\$ 2,132,000	\$ 1,830,000	\$ 3,094,000
Profits adjusted for Taxation purposes	\$ 9,269,000	\$ 9,138,000	\$11,067,000	\$19,142,000	\$ 6,696,000
Income Tax Provision per Global figures	\$ 4,171,000	\$ 4,133,000	\$ 4,809,000	\$ 8,607,000	\$ 2,930,000
Prior year Tax Adjustments - Credit (Debit)	-	-	171,000	7,000	83,000
	-	(21,000)	-	-	-
Income Tax charged for Current Year	\$ 4,171,000	\$ 4,112,000	\$ 4,980,000	\$ 8,614,000	\$ 3,013,000
Income Tax charge grossed @ 15%	\$ 9,269,000	\$ 9,138,000	\$11,067,000	\$19,142,000	\$ 6,696,000

THE SUGAR INDUSTRY IN BRITISH GUIANALANDNET BOOK VALUE(EXCLUDING DEMERARA CO. LTD.)

Year	Amount \$
1956	3,299,570
1957	3,326,022
1958	3,342,115
1959	3,456,546
1960	3,527,107
1961	3,646,409
1962	3,792,069
1963	3,939,949
1964	4,227,096

Note:

Land held by the Demerara Co. Ltd. has not been included in the above figures because it is impossible to ascertain its original cost. The accounts of the Company show one composite item viz. "Real estate in Demerara including Buildings, Machinery etc. at the net amount standing in the Company's books at 1st January, 1943."

TABLE XVI

THE SUGAR INDUSTRY IN BRITISH GUIANA

RATES OF DEPRECIATION APPLIED

WITHIN THE INDUSTRY

A S S E T	Percentage Applied
Freehold Buildings	2
Drainage and Irrigation	6¼
Plant and Machinery	7½
Electrical Plant	10
Office Plant and Machinery	12½
Office Furniture	10
Fixtures and Fittings	10
House Furniture	10
Agricultural Equipment	20
Punts	10
Sundry Craft	10:33-1/3
Aircraft	33-1/3
Railways and Rolling Stock	6¼
Artesian Wells	10
<u>Motor Vehicles</u>	
Lorries and Trucks	25
Cars	25
Mechanical Handling Equipment	25

These percentages are applied to Assets under a "Straight" Line Basis

SUBSCRIBED SHARE CAPITAL & BONUS SHARES.

TABLE XVII.

Share Capital Subscribed
And Capital Employed.

Year	SHARE CAPITAL SUBSCRIBED	CAPITAL EMPLOYED	
		(Inclusive of Distilleries)	(Exclusive of Distilleries)
	\$ Millions	\$ Millions	\$ Millions
1956	17.5	45.8	43.3
1957	17.5	44.6	42.4
1958	17.5	46.1	43.4
1959	17.5	47.0	45.5
1960	21.1	48.8	47.2
1961	32.9	48.2	46.5
1962	32.9	45.9	44.0
1963	32.7	56.3	54.5
1964	32.7	56.6	54.8
Average	24.7	48.8	46.8

Table XVII sets out the Share Capital subscribed as well as the Capital employed (a) inclusive of distilleries; (b) exclusive of distilleries.

The...

The Subscribed Share Capital of the Industry, exclusive of distilleries, remained static for the period 1956-59, inclusive. For 1960 there was an increase of \$3.6 million and in 1961 an additional \$11.8 million aggregating \$32.9 million, which remained more or less stable up to the end of 1964 when the figure subscribed was \$32.7 million; the average Subscribed Share Capital over the period of nine years being \$24.7 million. The rise in 1960 and 1961 was due to the issue of Bonus Shares by many of the Sugar Producing Companies.

Capital Employed

It will also be observed that this was reasonably stable from 1956-62 with moderate fluctuations, with a low of \$44.6 million to a high of \$48.8 million, subsiding to \$45.9 million in 1962 and ending in 1964 with \$56.6 million. In 1963, as compared with 1956, the increase of \$10.5 million is accounted for by an increase in the nett current assets of \$7.6 million and investment of \$2. million. Partially contributing to this situation was the need to hold fair quantities of produce unsold for better prices and the consequential covering deposits made with brokers as well as the compulsory investment in National Development Savings Bonds.

Throughout...

Throughout the period the actual capital employed was well in excess of the share capital subscribed. This difference is accounted for by the utilisation of accumulated reserves in the industry.

Bonus Shares.

The Association submitted a statement of the Bonus Share Issues made by the industry and affirmed that during the period under review such issues were made only in the years 1960 and 1961.

The sources of these Bonus Share Issues were as shown in Table XVIII:

TABLE XVIII

Sources of Bonus Shares.

	<u>1960</u>	<u>1961</u>	<u>Total</u>
Property Reserve (Excess of Valuation)	312,495	2,523,346	2,835,841
Sugar Industry Rehabilitation Fund	1,798,455	10,574,860	12,373,315
Reserve for Replacement of Fixed Assets	1,369,596	4,163,846	5,533,442
General Revenue Reserves	118,454	30,000	148,454
Capital Reserves	1,825,200	12,506,839	14,332,039
Unappropriated Profits	-	1,657	1,657
	<u>\$5,424,200</u>	<u>\$29,800,748</u>	<u>\$35,224,748</u>

The Subscribed Share Capital of the industry in 1959 was \$17,505,000. From this it follows that Bonus Shares to more than double the value of the previous paid-up Share Capital were issued in the two years.

Balance Sheets of the Industry.

The rise in the paid-up Share Capital as between 1959 and 1961 in the Consolidated Balance Sheet is as follows:

1960	-	\$ 3,550,193
1961	-	11,873,757
		<u>\$15,423,950</u>

The difference between this and the total of the Bonus Share Issues shown in the sum of \$35,224,748 is \$19,800,798. This is accounted for by "Consolidation Adjustments" which show these for the years

1960	as	\$ 1,874,007
and 1961	as	<u>17,926,791</u>
		<u>\$19,800,798</u>

We cannot agree that the various issues of Bonus Shares were instruments of diversion of profits. We are of the opinion that the capitalisation of the various reserves, used for this purpose, merely transferred to shareholders...

shareholders the title to these reserves which they already owned.

Depreciation, Replacement Reserves and the Rehabilitation Fund.

We set out in Table XIX particulars of the Undepreciated Valuations of the Fixed Assets, the Annual Depreciation and Replacement Reserve Provisions. The combined percentages of reserves to the adjusted valuations are clearly shown, varying from 6.97% in 1963 to 11.63% in 1956. They do not appear to be excessive.

Depreciation charges vary from 4.41 to 6.33% of costs and Annual Provision to Replacement Reserves varies from 2.07 to 5.35%.

Table XIX...

TABLE XIX

STATEMENT SHOWING DEPRECIATION AND REPLACEMENT RESERVES IN RELATION TO VALUE OF COST OF FIXED ASSETS (EXCLUSIVE OF LAND)

	1956	1957	1958	1959	1960	1961	1962	1963	1964
(1) Fixed Assets at Cost less Depreciation	\$30,906,926	\$33,110,501	\$35,251,056	\$36,515,755	\$39,153,797	\$40,150,550	\$39,329,136	\$40,227,611	\$44,540,894
(2) Deduct cost of land	3,299,570	3,326,022	3,342,115	3,486,546	5,527,107	3,646,409	3,792,069	3,949,949	4,227,096
(3) Depreciated value of fixed assets (excluding land)	27,607,356	29,784,479	31,908,901	33,059,209	35,626,690	36,504,141	35,537,067	36,277,662	40,313,798
(4) Add: accrued depreciation	9,948,014	11,958,763	13,218,521	16,208,760	18,505,488	20,945,928	23,586,403	25,217,770	27,754,512
(5) Undepreciated value of fixed assets (excluding land).	37,555,370	41,743,242	45,827,462	49,267,969	54,132,178	57,450,069	59,123,470	61,545,432	68,068,310
(6) Annual depreciation	2,380,800	2,275,200	2,558,400	2,668,800	2,784,300	2,928,000	3,027,000	2,966,400	3,000,000
(7) Percentage of annual depreciation(6) to undepreciated values of fixed assets (excluding land) (5)	6.33%	5.45%	5.58%	5.42%	5.14%	5.20%	5.20%	4.82%	4.41%
(8) *Annual provision to Replacement Reserves	1,988,708	2,234,163	1,987,075	1,272,418	1,684,071	1,448,516	1,225,978	1,320,773	1,806,077
(9) Percentage of annual provision to Replacement Reserve to Undepreciated value of fixed assets (excluding land) (5)	5.30%	5.35%	4.34%	2.58%	3.11%	2.52%	2.07%	2.15%	2.65%
(10) Annual depreciation and Replacement Reserve	4,369,508	4,509,363	4,545,475	3,941,218	4,468,071	4,376,516	4,297,978	4,287,173	4,806,077
(11) Percentage of annual depreciation and Replacement Reserve (10) to undepreciated value of fixed assets (excluding land) (5).	11.63%	10.80%	9.92%	8.0%	8.25%	7.62%	7.27%	6.97%	7.06%

* Note (8) is the difference between (10) and (6).

TABLE XI

STATEMENT SHOWING DEPRECIATION RESERVES IN RELATION TO THE COST OF FIXED
ASSETS EXCLUSIVE OF LAND

	1956	1957	1958	1959	1960	1961	1962	1963	1964	
Fixed Assets at Cost Less depreciation	30,306,026	33,110,301	33,251,056	36,515,753	39,153,797	40,150,350	39,329,136	40,227,611	44,540,894	
Deduct: Cost of Land	3,299,570	3,326,022	3,342,115	3,436,346	3,527,107	3,646,409	3,702,089	3,949,949	4,227,086	
Depreciated Value of Fixed Assets exclusive of land	27,607,356	29,784,479	31,908,941	33,059,399	35,626,690	36,504,141	35,637,067	36,327,662	40,313,798	
Add: Accrued Depreciation	9,948,024	11,958,763	13,918,521	16,208,760	18,505,488	20,945,928	23,586,493	25,217,770	27,754,512	
Percentages of Reserve to Valuations	26.49	28.84	30.57	32.80	54.19	36.46	39.69	40.97	40.77	

In Table XX we show the percentages of reserves as at the end of each year to the adjusted valuations of the Fixed Assets at that time. The percentages which amounted to 26.49 in 1956 rose to 40.77% in 1964.

It must be borne in mind that the industry is still largely dependent on comparatively old plant in a number of its mills and the ratios of Reserves to Assets, in our view, are not inordinate.

Table XXI sets out the withdrawals from the Rehabilitation Fund, Replacement Reserves, Depreciation and Capital Expenditure.

Table XXI...

THE SUGAR INDUSTRY OF BRITISH GUIANA
WITHDRAWALS FROM REHABILITATION FUND, REPLACEMENT RESERVES
DEPRECIATION AND CAPITAL EXPENDITURE

'000' Omitted

Year	Rehabilitation Fund Withdrawals	Replacement Reserves	Depreciation	Total Self Generated Funds	Capital Expenditure	Comparison Cols. 5 & 6 (Deficit Financing)
1	2	3	4	5	6	7
	£	£	£	£	£	£
1950 Actual	79	100	316	495	577	(82)
1951 "	160	161	311	632	528	104
1952 "	143	118	400	661	707	(46)
1953 "	171	142	386	699	636	63
1954 "	182	73	451	706	665	41
1955 "	159	144	454	757	836	(79)
1956 "	377	414	496	1,287	1,179	108
1957 "	358	465	474	1,297	1,089	208
1958 "	379	414	533	1,326	1,112	214
1959 "	437	265	556	1,258	956	302
1960 "	705	351	580	1,636	1,267	369
1961 "	584	302	610	1,496	1,010	486
1962 "	383	255	640	1,278	609	669
1963 "	374	275	618	1,267	1,410	(143)
1964 "	554	376	625	1,555	1,435	120
1965 Estimated	542	421	650	1,613)	10,000)	(2,989)
1966 "	473	216	675	1,364)		
1967 "	481	110	700	1,291)		
1968 "	457	281	725	1,463)		
1969 "	449	81	750	1,280)		
	7,447	4,964	10,950	23,361	24,016	(655)
	\$35,746	\$23,827	\$52,560	\$112,133	\$115,277	(\$3,144)

NOTES:

1. The figures for 1950 - 1955 relate to the B.S.E. Group and Associated Companies only, the figures for the Demerara Company being unavailable.

2. The figures included in column 2 for 1956 - 1964 for the Demerara Company are the amounts taken to credit in the audited accounts of that Company; they differ from.

This Fund was intended to keep the industry's productive assets up to the highest level of technological efficiency so as to maintain and increase its competitive efficiency vis-a-vis the sugar industry in other parts of the world. To this end, withdrawals from the Fund have been used for the following purposes:

- (a) Additions and improvements to the industry's productive assets.
- (b) Providing the difference between the original cost of an asset and its actual replacement value; the latter being under normal conditions higher than the former.

It is noted that in recent years the industry has been incurring capital expenditure annually of the order of \$5M. At the same time the industry's contribution to the Rehabilitation Fund has amounted to some \$2.3M annually and its withdrawals from that Fund have averaged \$1.8M per annum.

It is clear, therefore, that both the contribution into the Fund as well as withdrawals therefrom have been substantially lower than the industry's annual capital expenditure.

On the other hand the industry's annual provision

for...

for Depreciation and Replacement Reserve has amounted to \$4.4 million which has been utilised for capital expenditure. Such unexpended amounts as now remain on these reserves would be wholly consumed by increased capital expenditure planned for the period up to 1969. In fact, these reserves as well as withdrawals from the Rehabilitation Fund are expected to be inadequate to offset the projected expenditure and the industry will have to find \$3.3 million from other sources.

We conclude, therefore, that both the Rehabilitation Fund as well as the Depreciation and Replacement Reserves have been serving the purposes for which they were intended and that the Rehabilitation Fund is neither a substitute for these reserves nor an unnecessary addition; in fact in the absence of the Rehabilitation Fund the industry would not have met its commitments for capital expenditure and would not have been able to increase and improve its assets to the extent which undoubtedly must have contributed to its survival.

Commissions reporting on the situation regarding the use of this Fund in both Trinidad and Jamaica have treated the withdrawals therefrom as revenue.

In British Guiana no withdrawals from the Fund are permitted until such time as the counterpart expenditure had already been made in the factory or field as the case might be, and after proof of such expenditure is accepted by the Rehabilitation Committee. We are satisfied that on this basis the withdrawals from the Fund were fully supported by the equivalent expenditure by the industry on Capital Assets. It is true, however, that the financial statements of the industry disclosed that the accounts to which these withdrawals were credited were partially utilized in the issue of Bonus Shares, but in the light of our finding that the actual withdrawals from the Fund were used for expenditure in Capital Assets, we regard this as a mere accounting convenience. It is noted that the industry derives a definite advantage from the Fund through the improvement of its assets. We consider that such improvements represent an unearned benefit to the Companies and, accordingly, should be treated as income. We have measured this benefit from the Fund, that is, the extent of this improvement as equal to 10% of total capital expenditure from self-generated funds of the industry and we have so treated it in Table XXII.

We ...

We recommend that as from 1964 this rate should be applied and the result be treated as revenue in determining the profitability of the industry.

TABLE XXII

RECEIPTS FROM REHABILITATION FUND CONSIDERED TO BE
REVENUE TO THE INDUSTRY.

	Capital Expenditure	Element of Improvement 10% considered as Revenue	
	£ 000	£ 000	Dollars
1956	1,179	117.9	565,920
1957	1,089	108.9	522,720
1958	1,112	111.2	533,760
1959	956	95.6	458,880
1960	1,267	126.7	608,160
1961	1,010	101.0	484,800
1962	609	60.9	292,320
1963	1,410	141.0	676,800
1964	1,435	143.5	688,800
Total	10,067	1006.7	4,832,160

Price of Molasses to Distilleries.

The policy of the sugar producers has been to avoid violent fluctuations in the price of rum by maintaining a steady price for molasses to the distilleries. While, therefore, the price to the distilleries has remained fairly constant over the years, there has been violent fluctuation in the export price of molasses.

From 1958-1960 the price per gallon of molasses to the distilleries exceeded the price of molasses for export, but from 1961-1964 it was less. At present - 1965 - the price of 17.2 cents per gallon to the distilleries is more than twice the export price of 7.2 cents per gallon.

The evidence, therefore, does not support the Union's allegations with respect to this item.

In any event, our recommendations below on the treatment of profits on raw spirits would, if implemented, resolve this question.

Raw Spirits

We appreciate that the profits from the sale of blended and bottled rum sold in local and foreign markets are the direct result of activities exerted far beyond ...

beyond the state of "raw spirits" manufactured at the factories and consequently do not consider that they are within the scope of this enquiry. We do, however, feel strongly that as the manufacture of raw spirits is so proximate and in fact so inextricably bound up with the manufacture of sugar, and the rum companies in this country are so closely interrelated with the sugar companies that profits from the sale of this commodity must inevitably be considered as profits within the sugar industry.

ACCORDINGLY WE SO RECOMMEND.

Profits.

We do not agree with the view that profits before tax are the true measure of the industry's profitability and here again, similar to our conclusions in respect of the returns of capital employed, we consider that profits after tax reflect the true surplus available for distribution. Including raw spirits, but excluding that portion of revenue which we attribute to receipts from the Rehabilitation Fund, the average yield on Share Capital subscribed over the period is 14.97%. With the inclusion of the portion of receipts from the Rehabilitation Fund, which we are of the opinion should be considered...

considered as revenue for the purposes of determining the sugar global surplus, the average yield is of the order of 16.41%.

In assessing the level of profits wide variations in the nett returns to the industry during the years 1956-1964 must be borne in mind. In the years of high prices, i.e. 1957, 1960, 1961, 1962 and 1963, substantial profits were made, but also in these years substantial Once-for-All Bonuses were paid to the workers. From our analysis of the accounts submitted, we do not find any support for the Union's contention that there were deliberate diversions of profits either through the various Reserves or by means of Bonus Shares.

We show in Table XXIII the profits of the industry (exclusive of raw spirits) before tax. The return on capital employed was low in each of the years at the extremes of the period under review -

9.95% in 1956 and

8.46% in 1964.

With the exception of the years 1957, 1962 and 1963 when world prices were extraordinarily high, the average return in the other years could be said to have hovered around ...

around 14%. In the year 1957 they reached 23%, in 1962 just under 20% and in 1963 approximately 29%.

TABLE XXIII

Profits of industry before Tax (Exclusive of Raw Spirits.)

Year	Amount	Per Ton of Sugar Produced	% Return on Capital Employed (2)
1956	\$4,308,586	16.46	9.95
1957	9,770,091	34.28	23.04
1958	7,157,623	23.36	16.49
1959	6,031,214	21.21	13.26
1960	6,632,036	19.83	14.05
1961	8,602,873	20.33	14.20
1962	8,574,460	26.30	19.49
1963	15,676,075	49.42	28.76
1964	4,636,544	17.95	8.46
Average	7,709,945	25.46	16.41

It will be observed that while the return on capital employed before tax averaged 18.64% for the period only in six of the nine years under review was the return on capital after tax more than 6%. The average return on capital after tax was no higher than 7.2% and only in 1963 due to high world prices did the industry get a return of over 10%. The 1957 and 1962 rates of 9.29% and 9.25% were due to the Suez Crisis and the allocation of a U.S. quota respectively. The average of 7.2% for the 9-year period under review is, in our view, low.

In Table XXIV we set out the return to the industry including profits on raw spirits both before and after tax.

TABLE XXIV

RETURNS ON CAPITAL INCLUSIVE OF PROFITS ON RAW SPIRITS

Y E A R	B E F O R E T A X					A F T E R T A X		
	Profits	On Share Capital Subscribed		On Capital Employed		Profits	On Share Capital Subscribed	On Capital Employed
	\$M.	\$M.	%	\$M.	%	\$M.	%	%
1956	6.056	17.5	34.61	45.8	13.22	1.936	11.06	4.23
1957	11.008	17.5	62.91	44.6	24.68	4.143	23.67	9.29
1958	8.970	17.5	51.26	46.1	19.46	3.492	19.95	7.57
1959	7.306	17.5	41.75	47.0	15.54	2.701	15.43	5.75
1960	8.018	21.1	38.00	48.8	16.43	3.266	15.48	6.69
1961	7.624	32.9	23.17	48.2	15.82	3.160	9.60	6.57
1962	9.913	32.9	30.13	45.9	21.60	4.245	12.90	9.25
1963	16.302	32.7	49.85	56.3	28.96	6.862	20.98	12.19
1964	5.910	32.7	18.07	56.6	10.44	1.848	5.65	3.27
TOTALS	81.107	222.3		439.3		31.653		
AVERAGES	9.012	24.7	36.49	48.8	18.46	3.517	14.97	7.20

In keeping with our view that, for the purposes of determining the profitability of the industry, receipts from the Rehabilitation Fund equivalent to the element of improvement in capital assets financed from the integrated funds (that is to say, the Rehabilitation, Depreciation and Replacement Reserve) should be considered as revenue to the industry, we set out in Tables XXV and XXVI the return on capital employed when revenues from sugar, raw spirits and the Rehabilitation Fund are taken into account, before and after deduction of Once-for-All Bonuses.

Tables XV & XVI...

TABLE XXV

RETURN ON CAPITAL EMPLOYED COMBINING REVENUE FROM SUGAR, RAW SPIRITS AND REHABILITATION
FUND BEFORE CHARGING ONCE-FOR-ALL BONUS

	1956	1957	1958	1959	1960	1961	1962	1963	1964
Capital Employed (Million Dollars)	45.8	44.6	46.1	47.0	48.8	48.2	45.9	56.3	56.6
Profits after tax:-									
Sugar	\$ 890,622	\$ 3,923,744	\$ 2,409,310	\$ 2,050,800	\$ 2,950,883	\$ 4,109,765	\$ 5,027,386	9,854,974	\$ 1,177,376
Raw Spirits*	1,045,070	766,631	1,083,194	670,693	805,014	690,434	772,704	304,715	670,587
Rehabilitation	565,920	522,720	533,760	458,880	608,160	484,800	292,320	676,800	688,800
Total	\$ 2,501,612	\$ 5,213,095	\$ 4,026,264	\$ 3,160,373	\$ 4,364,057	\$ 5,284,979	\$ 6,092,410	\$ 10,816,489	\$ 2,536,763
Return %	5.5	11.7	8.7	6.8	9.0	11.0	13.3	19.2	4.4

Average return on average capital employed - 10.0

Average return on average capital subscribed - 19.8

* The amount of Once-for-All Bonus which was not ascertained has not been excluded from these figures.

TABLE XXVI

RETURN ON CAPITAL EMPLOYED COMBINING REVENUE FROM SUGAR, RAW SPIRITS AND REHABILITATION
FUND AFTER CHARGING ONCE FOR ALL BONUS

	1956	1957	1958	1959	1960	1961	1962	1963	1964 *
Capital Employed (Million Dollars)	45.8	44.6	46.1	47.0	48.8	48.2	45.9	56.3	56.6
Profits after tax:-									
Sugar	\$ 890,622	\$ 3,375,966	\$ 2,409,310	\$ 2,030,800	\$ 2,461,296	\$ 2,469,526	\$ 3,471,896	\$ 6,557,716	\$ 1,177,376
Raw Spirits	1,045,070	766,631	1,083,194	670,693	805,014	690,414	772,704	304,715	670,587
Rehabilitation	565,920	522,720	533,760	458,880	608,160	484,800	292,320	676,800	688,800
Total	\$ 2,501,612	\$ 4,665,317	\$ 4,026,264	\$ 3,160,373	\$ 3,874,470	\$ 3,644,740	\$ 4,536,920	\$ 7,539,231	\$ 2,536,763
Return on Capital Employed %	5.5	10.5	8.7	6.8	8.0	7.7	9.8	13.3	4.4
Average Return on Average Capital <u>employed</u> -		8.3 %							
Average Return on Average Capital <u>subscribed</u> -		16.41%							

* Before charging any Once-for-All Bonus; if any.

Dividends.

The Union sought to show the accretion in the value of the original investments as a measure of the wealth accruing to shareholders. Until, however, there is a realisation in some form of the assets, and a distribution of the proceeds by way of liquidation, the gain in assets can never find its way into shareholders' hands and the only true measure of return on Share Capital subscribed must be the average annual returns over the period on the average Share Capital subscribed. We set out in Table XXVII the details of such returns for the period 1956-1964. As a percentage of capital employed dividends declared were in four years well below 5%. In two years they were approximately 5% and only in years of exceptional good fortune were they around 8% or over. In 1963 alone did they exceed 10% and the average over the period under review was 5.77%.

Table XXVII...

TABLE XXVII

Average Annual Return on Average
Share Capital Subscribed.

	Appropriated (Millions) \$	Rates %		% of Annual Profits	% on Capital Employed (Ex- clusive of distilleries
		Nett	Grossed-up		
1956	1.323	7.55	13.73	65.0	3.06
1957	3.096	17.68	32.15	73.0	7.30
1958	1.698	9.70	17.64	51.8	3.91
1959	1.330	7.60	13.82	43.0	2.92
1960	2.610	12.40	22.55	77.7	5.53
1961	2.330	7.08	12.87	67.7	5.01
1962	(3.466 3.538 *)	10.55 22.90	19.18) 41.64)	83.1	7.87
1963	6.729	20.60	37.46	103.3	12.35
1964	2.160	6.61	12.02	128.6	3.94
<hr/>					
	32,280				
<hr/>					
	3.587	13.63	24.78	77.	5.77
<hr/>					

* This figure is the value of shares in its subsidiaries owned by the Demerara Co. Ltd. transferred to Demerara Holdings Ltd. in specie, by way of a Dividend.

The Union essayed the proposal that the grossed up dividends should be the measure of the remuneration received by the shareholder on his investment and produced a number of calculations in an endeavour to establish that the dividends paid during the period 1952 to 1964 were considerable and excessive. It must be borne in mind, however, that a dividend, whether "Less Tax" or "Free of Tax", must result in the recipient paying income tax on it. Had the dividend not been declared and received, the recipient would not be taxable on it. It is, therefore, erroneous to conclude that Free of Tax Dividends, "grossed-up", represent the true "Taxed Income" of the recipient. It is factual, however, to accept that the "grossed-up" sum less tax at the rate applicable to the recipient is the nett income in his or their hands.

In addition to the portrayal of the rates of dividends in their relation to Subscribed Share Capital, Annual Profits on Capital Employed, we set out in Tables XXVIII and XXIX the apparent sources from which the dividends were paid and a proportionate allocation of the dividends to these sources.

Tables XXVIII & XXIX..

TABLE XXVIII

FUNDS FROM WHICH DIVIDENDS
PAID

Year	Annual Sugar Profits	Annual Other Income*	Undistributed Profits
1956	890,622	1,145,669	-
1957	3,375,966	863,300	-
1958	2,409,310	870,170	-
1959	2,030,800	1,063,170	-
1960	2,461,296	897,730	-
1961	2,469,526	970,926	-
1962 ⁽¹⁾	3,471,896	695,734	-
1963	6,557,716	- 47,356	171,031
1964	1,177,376	501,704	430,435
Total	24,844,508	6,961,056	651,466

* Includes Profits from sale of Fixed Assets.

(1) Does not include amount transferred from Reserves re Dividend settled in specie.

TABLE XXIX

ALLOCATION* OF DIVIDENDS PAID TO SOURCES
FROM WHICH FUNDS GENERATED

Year	Dividend	Sugar Profits		Other Profits		Undistributed Profits	
		Amount	%	Amount	%	Amount	%
1956	1,333,666	578,489	43.7	744,177	56.3	-	
1957	3,096,382	2,465,827	79.6	630,555	20.4	-	
1958	1,697,920	1,247,404	73.5	450,516	36.5	-	
1959	1,330,239	873,130	65.6	457,109	34.4	-	
1960	2,609,857	1,912,350	73.3	697,507	26.7	-	
1961	2,330,124	1,672,531	71.8	657,593	28.2	-	
1962	3,464,637	2,886,301	83.3	578,386	16.7	-	
1963	6,720,747	6,557,716	97.5			171,031	
1964	2,159,515	1,177,376	54.5	501,704	23.2	480,435	22.3%
Total	24,740,137	19,371,124		4,717,547		651,496	

Allocated in proportion to Annual Profits.

It will be seen that some appreciable proportion accrue from sources outside of the sugar industry and this undoubtedly accounts for the ability of the industry to declare dividends in 1963 and 1964 in excess of the industry's Annual Profits. From this point of view, in diversifying this investment, therefore, the industry has acted prudently rather than with the deliberate intention of diverting profits. Indeed, should the boom years of 1957 and 1963 be excluded, the average dividends for the remaining seven years would be considerably reduced.

In the light of this examination and taking into consideration dividends paid in other industries where less risk is involved, we do not consider the dividends paid during the period under review excessive or unfair.

Marketing Commission on Sales.

The evidence revealed that commission paid to a certain Company as managing agents was as follows:

2% on first £1,500,000 sales
1½% on next £ 300,000 "
1% on next £ 600,000 "
½% on balance of sales.

In...

In addition, the principals paid to another Company as marketing agents 1% on sales. The managing agents were, apart from commission, reimbursed with the travelling expenses of all their London staff visiting the country of operation of the former Company and their full employment expenses when on short or longer term secondments.

This arrangement is one at arms length and has been approved of by the country's Government who are participants in the company.

The charge of a commission of 2% by Bookers Sugar Company in London in respect of the export of sugar from the Booker sugar companies in this country is in reality a charge for services in connection with marketing, with staff training, with technical services, indeed with a whole range of administrative services supplied in the United Kingdom.

In the case of British Guiana, the travelling expenses of Bookers London staff visiting British Guiana and the employment expenses when these staff are on short-term secondment are borne by the employing company in London.

In the circumstances the commission of 2% is

not...

not considered to be excessive.

Nevertheless, in view of the fact that N.P.Q. sales are straightforward and require less servicing than sales to Canada and the U.S.A., we are of the view that a marketing commission not exceeding 1% should be charged on U.K. sales and an amount not exceeding 2% on sales to Canada and the U.S.A.

The cost of other services, in addition to marketing, e.g. staff training, welfare arrangements, for staff in the United Kingdom should, in our opinion, be charged for separately and should not be included as a constituent of the marketing commission nor calculated on the basis of tons of sugar exported.

Hedging.

Table XXX sets out the investments made by Booker Bros., McConnell & Company outside of British Guiana from 1954 to 1965.

It will be observed that except for £0.1 million (\$480,000), all the money derived from sources outside of British Guiana. We find, therefore, no evidence of diversion of funds from this country, in this respect.

Table XXX ...

TABLE XXX

TABLE SHOWING ACQUISITIONS OF NEW BUSINESSES OUTSIDE BRITISH GUIANA 1955/1964 AND RELEASES OF FINANCE THEREFOR

								£ Millions		
Country	Shipping	Acquisitions						Funds Released		
		Shops and Wholesale Distribution	Engineering	Rum and Produce	Tropical Agri-culture	Printing	Total	Year	Source of Funds	Amount
Britain	0.1	1.0	1.2	0.05			2.35	1964	Sale of 49% United Rum Merchants - Britain	0.5
Belgium			0.05				0.05	1955/ 64	Increase in Bank overdraft and Deposits in United Kingdom - 3.6	
India			0.2				0.2			
Nigeria					0.3		0.3		Less Reduction in terms of Loans - 0.6	3.0
Canada		1.7					1.7			
Jamaica				0.15	0.45		0.6	1960/ 64	Sale in B.G. of Guiana Industrial and Commercial investments	0.1
Trinidad						0.2	0.2	1961	Issue of 1,311,776 new shares B.B.McC.& Co. Ltd.	1.3
								1962	Sale of Pelletier in Northern Rhodesia	0.2
								1963	Redemption of Preference shares in Campbell Bocker Carter (C. Africa) held by B. B. McC.& Co. Ltd.	0.15
								1964	Increases in Share Capital of United Rum Merchants	0.25
								1965	Sale of Richard Bondy in U.K.	0.05
	0.1	2.9	1.45	0.2	0.75	0.2	5.4			5.5

7. SUGAR INDUSTRY SPECIAL FUNDS.

From the outbreak of war in 1939 until the end of 1952 all Commonwealth-produced sugar for export was sold to the United Kingdom Ministry of Food at a single uniform price negotiated annually. Between 1945 and 1952 limited world sugar production, owing to the after-effects of the war, sustained the world free market sugar price at levels appreciably higher than the United Kingdom Ministry of Food prices.

In 1947 the Ministry of Food increased the price paid to the Commonwealth territories from \$93.60 per ton to \$116.40 per ton - an increase of \$22.80. This increase was granted to all Commonwealth sugar exporting territories, but in the case of the British West Indies the Ministry made a special stipulation that a proportion of the increase - \$13.20 - should be set aside to establish three funds - a Price Stabilisation Fund, a Rehabilitation Fund and a Labour Welfare Fund.

The Sugar Industry Special Funds Ordinance, Chapter 248, together with the undermentioned subsidiary legislation, provide for the administration of these funds.

Orders-in-Council

No. 38 of 1957 - dated 31.7.57.

No. 5 of 1956 - dated 18.1.56 (Sugar Industry Special Funds - Temporary Variation of Agreed Proportions of Allocation - Order).

No. 75 of 1953 - dated 7.11.53.

Regulations

(a) Rehabilitation and Price Stabilisation.

No. 28 of 1947 - The Sugar Industry (Rehabilitation & Price Stabilisation Committee Regulations).

No. 3 of 1949 - The Sugar Industry (Rehabilitation Fund) Regulations.

No. 8 of 1956 - do.

(b) Labour Welfare

No. 25 of 1947 - The Sugar Industry (Labour Welfare Fund) Regulations.

No. 3 of 1950 - do.

The ...

The levies were established initially at the following rates:

Price Stabilisation	-	\$ 6.00
Rehabilitation	-	4.80
Labour Welfare	-	<u>2.40</u>
		<u>\$13.20</u>

In 1953 the Ministry ceased to purchase 100% of the Commonwealth export production, and left producers to sell between one-quarter and one-third of their exports at the free market price. The latter had unfortunately fallen towards the end of 1952 to a value well below the negotiated price - a situation which has obtained since, with the exception of the years 1957, 1963 and 1964. Accordingly, since the original conception of the funds was a levy on the negotiated price, when Commonwealth territories were left to export a substantial portion of their sugar at the - normally lower - free market price, some West Indian territories took occasion to relieve their industries of the burden of paying the Special Funds out of their free market sales. In Jamaica and Antigua the levies are no longer deducted from free sugar sales or U.S. sales when these prices are below the negotiated price; and in Trinidad the Price Stabilisation Fund is used to augment the price...

price of free sugar when this is below the negotiated price.

The following is an extract from the Goldenberg Report of the Board of Inquiry into a Trade Dispute in the Sugar Industry of Trinidad, 1960:

"In Trinidad the price received for exportable sugar sold otherwise than under the Negotiated Price Quota, that is, Free Quota Sugar and any sugar which may be sold on the world market, is supplemented under the Sugar Industry (Price Stabilisation Fund) Regulations, 1954, which provide that, commencing in 1954 and in each year thereafter, the annual amount paid into the Stabilisation Fund should be utilised to augment the price of Free Sugar when that price is below the N.P.Q. price. Accordingly in each year since 1954, except 1957 when the world price rose above the N.P.Q. price, the Stabilisation Fund has been used to bring the price of Free Sugar as near to the N.P.Q. price as the annual payments into the Fund allow. Under the Sugar Industry Special Funds Ordinance, 1948, the Fund is financed by a cess of \$6.00 on every ton of sugar manufactured and exported. The Fund showed a balance of more than \$2,200,000 in 1959."

British Guiana still pays the levies on all its export sugar.

There have also been variations in the division of the levies between the three different funds. In British Guiana the Price Stabilisation Fund levy has been reduced from the original rate of \$6.00 per ton to \$1.20, the balance of \$4.80 having been divided equally between the Rehabilitation Fund and Labour Welfare Fund. The levies accordingly are ...

are now as follows:-

Price Stabilisation	-	\$1.20	per ton
Rehabilitation	-	\$7.20	" "
Labour Welfare	-	\$4.80	" "

In addition to this diversion of \$4.80 per ton from the Price Stabilisation Fund levy to the other two funds, there have been substantial "capital" diversions from the accumulated balances in the Price Stabilisation Fund. In 1953 \$2½ million was diverted from the Price Stabilisation Fund to the Labour Welfare Fund, and a further \$2½ million was diverted to the Labour Welfare Fund in 1956. In 1957 a diversion of just over \$5 million, equivalent to the total already transferred to the Labour Welfare Fund, was transferred from the Price Stabilisation Fund to the Rehabilitation Fund.

As a result of discussions between the Sugar Producers' Association and the Unions over the proposed Sugar Industry Pension Scheme, it has subsequently been agreed that the total balance accumulated in the Price Stabilisation Fund, and the future levies of \$1.20 per ton in respect of the Price Stabilisation Fund, should both be used to assist in the funding of the Pension Scheme; but this is subject to Government approval which has not yet been obtained...

obtained. It has also been agreed that \$5 million lent by the Rehabilitation Fund to Demerara Sugar Terminals Ltd. should be passed over to the proposed Sugar Industry Pension Scheme as the money is repaid.

The balances in the Funds as at 31st December, 1963, were as follows:

Price Stabilisation	-	\$6,347,996
Rehabilitation	-	7,664,825
Labour Welfare	-	9,828,340

The Labour Welfare Fund is administered by a Committee consisting of representatives of the Government, the Sugar Producers' Association and the Unions; while the Price Stabilisation Fund and the Rehabilitation Fund are administered by a Committee consisting of representatives of Government and the Sugar Producers' Association.

From 1947, the year of the institution of the special levies, to 1963, these amounted to \$52,897,043.96 (including diversions) allocated as follows:

Price Stabilisation	-	\$4,336,363.65	(8.2%)
Rehabilitation Fund	-	29,161,396.62	(55.2%)
Labour Welfare	-	19,399,283.69	(36.6%)

Amounts paid to producers out of the Rehabilitation Fund aggregate \$25,010,007.28. Charges to the
Labour ...

Labour Welfare Fund during the period amounted to \$18,507,143.80. Of this amount loans to workers (interest free) to build their own houses totalled \$9,927,243.13. It should be noted that to the extent of the loans the fund is a revolving one. Apart from these, however, which are repayable, permanent communal benefits to workers (including administration expenses of the Labour Welfare Fund) exceeded \$8,000,000.

We feel compelled to observe that the participants in the industry and the community have benefited from these levies; Labour and their immediate community through the Labour Welfare Fund, the shareholders by the ownership of the assets acquired from withdrawals from the Rehabilitation Fund, and the shareholders, Labour and the community at large by the increase in efficiency resultant from the improvements and replacements made possible through the Rehabilitation Fund.

The...

Price Stabilisation Fund.

The following extracts from the Official Report and Index of the Debates of the Twelfth Session of the Third Legislative Council, 15th May, 1946 - 24th October, 1947, reveal Government's understanding of the use to which the Price Stabilisation Fund was to be put:

"1st May, 1947.

Sugar Industry Special Funds and Export Duty Bills.

The second reading of the following Bills was then considered by the Council:

A Bill intituled 'An Ordinance to make provision for the establishment in respect of the sugar industry of a price stabilisation fund, a rehabilitation fund and a labour welfare fund, and for purposes connected therewith.'

.. ..

MR. SEAFORD: In dealing with the Bill itself I would like to refer to paragraph 5 of the Objects and Reasons which reads:

"The purpose of the Price Stabilisation Fund is to provide a reserve which can be utilized, if necessary, to mitigate the adverse effect of a reduction in the price of sugar..."

When the discussions were in progress with the Colonial Office and the Secretary of State this Government obtained for the Home Government figures with regard to the

cost ...

cost of production of sugar in the Caribbean area, and in fixing the price of sugar they took into consideration the cost of production. Now this stabilisation Fund is being provided so that the same conditions may exist in the future as exist now. That is to say, that should the cost of production be above or equal to the price of sugar this Stabilisation Fund would come into effect. In other words, if the cost of production rises considerably, as well it may through various causes - for instance the cost of supplies may go up, or the output of sugar may be curtailed considerably through lack of fertilizers - the Stabilisation Fund would be drawn upon so as to provide a cushion between the cost of production and the price of sugar. I feel that when this paragraph was drafted it was not realized what was the effect of its wording. I think the Stabilisation Fund is to provide for the difference between the cost of production and the price of sugar when required.

THE COLONIAL TREASURER: The directions with regard to the Stabilisation Reserve read thus:

"The circumstances and conditions under which funds will be made available will be a matter for further consultation with the producers, but the intention is to commence now to build up a fund which would provide a cushion against any future considerable fall in the sugar price."

.. ..
THE COLONIAL TREASURER: If the price falls but the cost of production remains, a condition will have arisen which would justify disbursements from the Price Stabilisation Fund.

It ...

It is in our view quite clear now that the New Commonwealth Agreement has provided a satisfactory guaranteed market at a guaranteed price for approximately 60% of the country's production - at least for the next three years - that the uncertainty and any adverse fluctuation on the other markets can be countered by the proper application of the Price Stabilisation Fund in accordance with the specific purpose for which it was expressly created. We cannot understand why it was not utilised here as it has been in Trinidad; moreover, it seems to us illogical to levy a cess on sugar which is being sold at a loss and to leave that cess in a fund which so far is serving no useful purpose whatever. The only justification for the levy is its utilisation for the purpose for which it was created. If the cess were not levied that amount would have been shown as revenue and the industry's profitability and its consequent ability to pay higher wages thereby enhanced.

ACCORDINGLY WE RECOMMEND

- (i) That the proposal to use the balance standing to the credit of this Fund as well as future levies for the purpose of pensions should be abandoned and the Fund used in accordance with its original statutory

objectives....

objectives with effect from 1st January, 1964.

(ii) That the original allocation of \$6.00 per ton of sugar exported should be restored to the Fund with effect from 1st January, 1964. The original levies of \$4.80 to the Rehabilitation fund and \$1.20 to the Labour Welfare Fund should be similarly restored from that date.

(iii) That in view of the unusual and unprecedented adverse circumstances affecting the industry in low production, increased cost and the depressed prices in the U.S. market during 1964, a withdrawal of \$929,137 from the Price Stabilisation Fund be made for payment into the industry's revenue. This sum would equate the U.S. price to the N.P.Q. price for that year.

While the price for frees was higher than the N.P.Q. price in 1964, it is recognised that the abnormal circumstances affecting the industry - in particular the prolonged strike, arson and intimidation of workers - frustrated the industry from effecting greater sales to this market and as a result reduced its overall profitability to the lowest level for more than a decade. A withdrawal from the Price Stabilisation Fund is justified in these circumstances so as to maintain the industry at a level of reasonable viability. At the same time, implementation of this recommendation would provide the only plausible basis for the payment to workers of a once-for-all bonus to which, as we find further on in this report, they are morally entitled

but...

but which the industry cannot otherwise afford.

(iv) That for the year 1965 and onwards, one of three alternative formulae should be applied by the Committee controlling the Price Stabilisation Fund to determine the quantum of withdrawal from the Fund in order to assist the industry in offsetting losses from selling sugar to foreign markets other than N.P.Q. The formula to be applied for a particular year should be related to the strength of the Fund, circumstances affecting production and the amount of withdrawals which may be envisaged for the future, having regard to market forecasts. The formulae are as follows, in order of relationship to the strength of the Fund,

Either (1) Withdrawals should be equal to the loss sustained from selling sugar to foreign non-N.P.Q. markets at prices lower than the N.P.Q. price. Nett revenue from sales to any market in excess of the N.P.Q. price to be set off against losses from sales below the N.P.Q. price.

Or (2) Withdrawals should be equal to the loss sustained by selling sugar to foreign non-N.P.Q. markets below the average cost of production. Nett revenue from sales to any market in excess of the cost of production should be set off against losses from sales below the cost of production.

Or (3) Withdrawals from the Fund should be equal to the loss sustained by selling to foreign non-N.P.Q. markets at prices lower than the normal

world...

world price, i.e. the average price for "Frees" for the period 1956 to 1962. Nett revenue earned from sales above the normal world price, as defined above, should be set off against the loss from selling below that price.

It is the view of the Committee that the most practical formula for 1965 and onwards would be the third, that is, equating sales to foreign non-N.P.Q. markets to the average normal world price. This average normal world price for the period 1956 to 1962 is \$144 per ton and on the basis proposed, the industry's payments into the fund compared with its withdrawals therefrom for 1965 and as estimated for 1966 will be approximately as follows:

1965	Amount of levy	\$1.5 million
1965	Amount of withdrawal	\$1.3 million
1966	Amount of levy	\$1.8 million
1966	Amount of withdrawal	\$3.3 million
	Excess of withdrawal over levy for 1965 & 1966 =	\$1.3 million.

Taking into account the balance to the credit of this Fund as at 31st December, 1963, the special withdrawal proposed for 1964 and the levy to be paid into the Fund for 1964, the balance to the credit of this Fund at the

end...

end of 1966 should be of the order of \$5.5 million.

This amount, considered in the light of possible future prices for sugar should suffice to maintain the Fund at a useful level for a reasonable number of years.

The Committee wishes to emphasize strongly that the use of the Price Stabilisation Fund as proposed is intended to maintain the viability of the industry and at the same time permit continued improvement of wages and conditions of employment of sugar workers. We are of the opinion that the dismal market situation of the industry and its weakened financial resources do not provide a basis for betterment of the position of sugar workers in the absence of this device. Since use of the Price Stabilisation Fund will augment the industry's surplus, the worker will be entitled to his fair share from any improved surplus in the form of higher wages and better conditions of employment. Moreover, the introduction of a profit-sharing scheme, which has been recommended elsewhere in this report, would also provide an additional opportunity whereby the workers' lot may be advanced still further with corresponding enhancement in industrial relations.

The Labour Welfare Fund.

The Committee notes that the Sugar Industry Labour Welfare Fund has been used largely for housing and the physical facilities and communal amenities connected therewith.

We consider that in future the Fund should embrace other matters of a welfare nature, e.g. pensions and medical facilities.

ACCORDINGLY, WE RECOMMEND THAT negotiation for the demands of the Union under the following heads:

- (1) Pensions,
- (2) Medical facilities,

be taken up by the Union with the Sugar Industry Labour Welfare Fund Committee as early as practicable; and if and when agreed upon, be satisfied from the Sugar Industry Labour Welfare Fund.

8. THE UNION'S DEMANDS.

A. The Annual Production Bonus for 1964.

The Annual Production Bonus was introduced in 1952 "to discourage avoidable absenteeism and to encourage production at times when continuity was necessary for the efficient running of the factories" (S.P.A.

memorandum ...

memorandum to Committee). The Union in its memorandum to the Committee has emphasized that the bonus was intended to encourage attendance and "increase the production."

The bonus was fixed at levels of 6 days, 7 days, and 8 days aggregate wages respectively, for three levels of production, the lowest being for 6 days and the highest at 8 days. From 1956 to 1963 the bonus payments were based on the following targets:

<u>Year</u>	<u>6 days' pay</u>	<u>7 days' pay</u>	<u>8 days' pay</u>	<u>Actual Production</u>
1952	230,000	-	-	242,692 tons
1953	230,000	-	-	240,176 "
1954	235,000	-	-	238,922 "
1955	245,000	248,000	250,000	250,111 "
1956	253,000	258,000	260,000	263,333 "
1957	263,000	260,000	273,000	284,973 "
* 1958	280,000	285,000	290,000	306,651 "
1959	260,000	272,000	275,000	284,425 "
1960	317,000	321,000	326,000	334,441 "
1961	306,000	310,000	315,000	324,745 "
1962	300,000	304,000	309,000	326,023 "
** 1963	290,000	294,000	297,000	317,137 "

* 9 days' pay was given for reaching the 300,000 ton mark.

** Note: In 1963 a 9-days' pay target was fixed for 302,000 tons.

In ...

In addition to the Colony production targets, each estate sets its own target based on the share allotted to it of the total colony production. Finally in order to earn the bonus, a worker had to achieve a minimum attendance of $82\frac{1}{2}\%$ of the work days available to him. Absence from work due to injury was not penalised, but absence due to participation in unofficial strikes disqualified the worker from being eligible for the bonus.

On 4th December, 1964, agreement was reached between M.P.C.A. and S.P.A. for the 1964 Annual Production Bonuses as follows:

- (a) A bonus equal to 3 days' pay if the estate on which he worked achieved its target.
- (b) A further bonus of 3 days' pay if the industry's production was 260,000 tons.
- (c) A further bonus of 1 day's pay if the industry's production was 263,000 tons.
- And (d) A further bonus of 1 day's pay if the industry's production was 265,000 tons.

We now proceed to examine the evidence relating to the Union's allegations on this claim seriatim:

(1)...

- (1) "Mis-representation of estimates of production which were used as a basis for the targets."

The estimate of production on which the targets were fixed was 272,000 tons of sugar. The targets actually set were:

260,000 tons - 3 days' bonus (plus 3 days' estate bonus)

263,000 tons - 4 days' bonus (plus 3 days' estate bonus)

265,000 tons - 5 days' bonus (plus 3 days' estate bonus).

The actual tonnage made was 258,378.

The estimated acreage to be reaped was 91,725 acres while the actual acreage reaped was 88,622 acres.

However, the actual Colony production for the year was 258,378 tons, or 1,622 tons less than the target of 260,000 tons for a bonus of 3 days' pay; or 4,622 tons less than the 263,000 tons target, or 6,622 tons less than the target of 265,000 tons.

In addition, four estates, i.e. Enmore, La Bonne Intention, Leonora and Uitvlugt failed to reach their respective targets by 800 tons, 2,075 tons, 1,575 tons and 413 tons, respectively, thereby disqualifying their

workers...

workers from any bonus. Failure to achieve both the targets on these estates as well as the total Colony production target gave rise to the dispute between the M.P.C.A. and the S.P.A.

At the meeting held between the S.P.A. and the Union on 4th December, at which the targets were agreed the following was the historical order of proposals for bonus leading to the agreement:

A. S.P.A. crop estimate:

91,725 acres to produce 272,000 tons

Note: Production up to 28th November was 234,491 tons.

B. Proposed by S.P.A.:

Targets of 265,000 tons - 6 days' pay

" " 269,000 tons - 7 days' pay

" " 272,000 tons - 8 days' pay

C. Following further proposals and counter-proposals targets were eventually fixed, in accordance with a suggestion from the Union, as follows:

260,000 tons - 6 days' pay

263,000 tons - 7 days' pay

265,000 tons - 8 days' pay.

With respect to the estimate of 272,000 tons which was considered at the meeting of 4th December,

it ...

it should be noted that on the 3rd October, 1964, an estimate entitled "Sacrificial" was prepared by Bookers Sugar Estates Ltd. for the S.P.A. forecasting the Colony's production at 265,411 tons, i.e. approximately equal to the maximum Colony's target which was subsequently fixed on 4th December at 265,000 tons and only 5,411 tons above the minimum target of 260,000 tons.

There is no evidence that this estimate of the 3rd October - 265,411 tons - was disclosed to the Union. If it was, then the Union would have been guilty of naivete and indiscretion to have accepted a target (265,000 tons) equal to the estimate of yield (265,411 tons) as they would not have allowed workers any room for manoeuvre.

The employers ought to have brought the October estimate to the attention of the Union; had this been done, then, having regard to the pattern of relationship of targets to estimates in previous years, it seems reasonable to assume that lower targets would have been fixed which would most probably have been attained by workers. The actual tonnage reaped from a total of 88,622 acres was, as previously stated, 258,378 tons. However, the crop was not completed at Enmore, L.B.I.,

Leonora ...

Leonora and Uitvlugt, where the canes estimated to have been capable of producing 6,820 tons were carried over to the Spring Crop and eventually produced 5,585 tons of sugar. It is clear, therefore, that the maximum production which was possible from the Autumn Crop was:

258,378 tons reaped + 6,820 tons carried forward.
6,820 tons carried forward = 265,198 tons.

Alternatively, if grinding had continued without interruption into the normal Spring season in order to grind off the autumn crop (which the Union claimed was originally intended) the maximum possible yield would have been:

258,378 tons reaped + 5,585 tons = 263,963 tons.

The two figures - 265,198 and 263,963 tons - when compared with the estimate of 3rd October - 265,411 tons - show:

- (a) that the estimate of 3rd October was more accurate than the estimate of 272,000 tons which was given to the Union on 4th December;
- (b) that based on the actual results it was impossible to realise a yield of 272,000 tons from the Autumn Crop;
- (c) that based on the actual results the maximum target of 265,000 tons would have been unattainable.

We...

We agree with the Union that the estimate of 272,000 tons should not have been used for fixing the targets and that the October estimate of 265,000 tons should have been used. In any event had the practice of previous years been followed, the targets would have been fixed much earlier than December, when the October or an earlier estimate would have been used.

(ii) "Failure by the Sugar Producers' Association to continue grinding until the targets were reached."

The records are not specific on whether or not there was an undertaking by S.P.A. to grind cane until the targets were achieved. However, at the meeting of 4th December, 1964, between M.P.C.A. and S.P.A. it is recorded that -

"Mr. Griffin (who represented the S.P.A.) said that 1964 was an abnormal year and everything should be done to make as much sugar as possible."

All estates achieved their targets with the exception of Enmore, L.B.I., Uitvlugt and Leonora. A most significant and suggestive incident took place at L.B.I. when the Factory Manager posted a notice on 5th January, 1965, to the effect that the estate would re-start grinding ...

grinding until all autumn canes were ground off within three to four weeks, thereby enabling the factory to make "its target for 3 days' bonus".

Again, at a meeting of the estate joint committee at Enmore, Management expressed the view that the Autumn Crop would last until January 2, and possibly January 9, 1965. However, grinding stopped on 30th December, 1964.

The dates on which the estates began and finished grinding the Autumn Crop were as follows:

	<u>Date</u> <u>Commenced</u>	<u>Date Ended</u>
Skeldon	17.8.64	12.12.64
Albion/P.M.	13.7.64	31.12.64
Rose Hall	13.8.64	1. 1.65
Blairmont	18.8.64	31.12.64
Enmore	20.8.64	31.12.64
L.B.I./Ogle	10.8.64	31.12.64
Wales	18.8.64	5.12.64
Versailles	4.8.64	20.11.64
Uitvlugt	29.7.64	31.12.64
Diamond	30.7.64	6.12.64
Leonora	21.8.64	2. 1.65

The dates on which grinding was restarted for the Spring Crop were:

	<u>Date Commenced</u>
Skeldon	22.2.65
Albion/P.M.	18.2.65
Rose Hall	3.3.65
Blairmont	17.2.65
Enmore	19.2.65
L.B.I./Ogle	6.1.65
Wales	2.3.65
Versailles	14.3.65
Uitvlugt	9.2.65
Diamond	24.2.65
Leonora	4.1.65

The narrow interval of five days at L.B.I. and of one day at Leonora between the close of the Autumn Crop and the commencement of the Spring Crop would indicate that, on these estates, for practical purposes, the Autumn Crop continued into the Spring Crop and the close of one crop and the commencement of another was essentially arbitrary and inexplicable. However, although cane is listed as having been carried forward from the Autumn Crop into the Spring Crop at L.B.I., none has been listed at Leonora.

The following canes classified as Autumn Crop canes were carried into the Spring Crop:

Enmore...

Enmore	- 1,085 tons	Spring Yield = 1,300 tons	in autumn
L.B.I.	- 2,370 tons	Spring Yield = 3,340	" " "
Uitvlugt	- <u>1,770</u> tons	Spring Yield = <u>2,160</u>	" " "
Total	<u>5,585</u>	<u>6,820</u>	

Had these canes been reaped for the autumn of 1964 the estimated tonnage would have been 6,820 tons, i.e. enough to attain the target. Moreover, had the Factory Manager at L.B.I. carried out his plan to grind off the autumn crop in January 1965, that factory would have produced an additional 3,340 tons and the Colony target would have been achieved on the basis of this additional production on this estate alone. However, the sudden withdrawal of the notice to this effect on this estate was, to say the least, most sinister. Equally sinister was the early start of grinding the Spring Crop at this estate and Leonora.

On the other hand, previous agreements between N.P.Q. and M.P.C.A., e.g. the agreement signed on 5th November, 1964, defined the autumn crop as embracing the period July to 31st December. Under this agreement canes ground in January 1965 would not have been treated as Autumn Crop 1964. However, another agreement between
the ...

the M.P.C.A. and the S.P.A. - that of 1952 - re holidays with pay, stated that: "each crop shall stand by itself. Each crop season shall be the period between the date on which the factory starts to grind and the date on which the factory ceases to grind unless grinding is interrupted owing to lack of ripe cane in which case such period of interruption shall be excluded from the crop season." This is a better definition of a 'crop' from an agricultural point of view, especially taking into account local conditions (notably rainfall) as they affect the crop cycle and field and factory operations.

It seems, therefore, that if the employers were genuinely interested in carrying out the intention (Mr. Griffin at the meeting of 4th December) that "everything should be done to make as much sugar as possible", the targets could well have been achieved by grinding out the autumn crop, by continuing factory operations without interruption into January 1965, because the canes were available on those estates which did not reach their targets at the end of December 1964.

The employers have claimed that although cane was available in December to enable the targets to be achieved ...

achieved by year end, the workers were not available owing to absenteeism. The returns for the estates which did not reach their targets show the following position:

L.B.I. (November 25-December 30).

<u>Work Available</u> (man days)	<u>Turn-out</u>	<u>Punts Available</u>	<u>Punts Loaded</u>
23,000	11,450	8,601	4,889

Ratio: Work available to punts available =
 $\frac{23,000}{8,601} = 1 \text{ punt to } 2.67 \text{ workers}$

Ratio: Turn-out to punts loaded =
 $\frac{11,450}{4,889} = 1 \text{ punt to } 2.34 \text{ workers}$

Ratio: Turn-out to punts available =
 $\frac{11,450}{8,601} = 1 \text{ punt to } 1.33 \text{ workers.}$

Leonora (November 30-December 31).

<u>Work Available</u> (man days)	<u>Turn-out</u>	<u>Punts Available</u>	<u>Punts Loaded</u>
16,740	8,634	7,113	3,718

Ratio: Work available to punts available =
 $\frac{16,740}{7,113} = 1 \text{ punt to } 2.35 \text{ workers}$

Ratio...

Ratio: Turn-out to punts loaded =

$$\frac{8,634}{3,718} = 1 \text{ punt to } 2.32 \text{ workers}$$

Ratio: Turn-out to punts available =

$$\frac{8,634}{7,113} = 1 \text{ punt to } 1.21 \text{ workers}$$

Uitvlugt (November 29-December 30).

<u>Work Available</u> (man days)	<u>Turn-out</u>	<u>Punts Available</u>	<u>Punts Loaded</u>
29,936	12,233	9,218	4,637

Ratio: Work available to punts available =

$$\frac{29,936}{9,218} = 1 \text{ punt to } 3.25 \text{ workers}$$

Ratio: Turn-out to punts loaded =

$$\frac{12,233}{4,637} = 1 \text{ punt to } 2.64 \text{ workers}$$

Ratio: Turn-out to punts available =

$$\frac{12,233}{9,218} = 1 \text{ punt to } 1.33 \text{ workers}$$

Enmore (November 29-December 30)

<u>Work Available</u> (man days)	<u>Turn-out</u>	<u>Punts Available</u>	<u>Punts Loaded</u>
23,748	17,237	11,708	6,045

Ratio...

Ratio: Work available to punts available =

$$\frac{23,748}{11,708} = 1 \text{ punt to } 2.03 \text{ workers}$$

Ratio: Turn-out to punts loaded =

$$\frac{17,237}{6,045} = 1 \text{ punt to } 2.85 \text{ workers}$$

Ratio: Turn-out to punts available =

$$\frac{17,237}{11,708} = 1 \text{ punt to } 1.47 \text{ workers.}$$

The conclusions to be drawn from the foregoing statistics are that at La Bonne Intention, Uitvlugt and Enmore:

- (a) The number of men required to load one punt of cane varied from 2.32 to 2.85 or an average of one punt to 2.5 men. This figure was affirmed by the Union in evidence, as the normal requirement.
- (b) The ratio of work available to punts available is useful to check the accuracy of the actual performance figure under (a), i.e. one punt to 2.5 men. The ratio of work available to punts available varied from 1 punt to 2.03 workers, to 1 punt to 3.25 workers; i.e. an average of 1 punt to 2.57 men. The returns with respect to these factors, therefore, may be regarded as accurate.
- (c) The turn-out in relation to work ("punts") available varied from 1.21 men per punt

to ...

to 1.47 men per punt or an average of 1.34 men to each punt of work available. When this figure is compared with the normal work output of 2.5 men to each punt, then it can be calculated that the labour force fell short by 46.4% of the work available. This represents absenteeism or under-supply of labour of a high order.

(iii) "Rainfall affected attendance".

Rainfall has an adverse effect on the attendance of workers at work. The returns from the Estates relating to attendance of workers and work done, contain remarks by Management in connection with days of poor turn-out such as "rain affected turn-out", "heavy rain drove cutters home", "poor turn-out due to rainfall", etc. The returns show that heavy rainfall had its most strikingly adverse effect at Enmore and at La Bonne Intention, where the turn-out was seriously reduced on nine days and six days, respectively of the thirty-two days of work available. In addition, two days were lost at Leonora and three days at Uitvlugt, or an average of five days for those estates which did not reach their targets. The poor attendance and consequent loss of production on these estates as a result of heavy rainfall, was therefore significant. Based on the average of...

of five days when work was seriously reduced on the four estates which did not reach their targets, it is calculated that the loss of production was of the order of 2,000 tons (400 tons per day) as a result of excessive rainfall on the estates which did not reach their targets. The workers must be absolved from blame in these circumstances. Indeed, the M.P.C.A./S.P.A. agreement relating to wages and conditions of work, signed on 29th March, 1963, frees the worker from liability in the event of factory breakdown, weather and stoppages due to strikes by the workers.

(iv) "Absenteeism was mainly unavoidable."

Absenteeism on the estates which did not reach their targets may be attributed as follows, from the data supplied to the Committee by the employers:

Cause	No. of Days			
	L.B.I.	Leonora	Uitvlugt	Enmore
Election effects	4	6	4	6
Sunday	5	5	5	5
Rain	9	2	3	6
Holidays	2	2	2	2
Labour Dispute	3	-	-	-
	23	15	14	19
Total Days Available	32	32	32	32

From the above table, it is clear that poor attendance caused by some factor which was known to the Management occurred during the last month of the crop on about half of the days on which work was available. Of the days of poor attendance, the following days should be regarded as days of unavoidable absenteeism in the circumstances of British Guiana.

* Election effects - 2 days (day of voting and day of results; days in excess of these 2 days are not regarded as days of unavoidable absenteeism).

Sundays	..	- 5 days (traditionally a day when work is avoided).
Holidays	..	- 2 days (Christmas and Boxing Day)
Total	..	9 days

Of the nine days, if Sundays are excluded, then four days will remain which would be equal to loss of production of from 2,000 to 3,000 tons of sugar. If the holidays were excluded, then between 1,000 to 1,500 tons were lost as a result of "election effects".

There is no evidence that loss of production due to the elections was taken into consideration, at the

time ...

time of fixing the targets. This would be equal to from 1,000 tons - 1,500 tons of sugar. This should have been considered.

* Imputed from actual attendance (benefit of doubt given to effects of elections rather than to rainfall where these two factors were coupled as a reason for shortage of workers), or stated specifically as such by Management. "Election effects" includes the days of polling, the day of results and the subsequent days of chaos which followed the announcement of results which did not favour the political party for which it is believed most sugar workers voted.

(v) Low Yield of Sugar per acre for the year.

The yield of sugar per acre in 1964 in the industry was the lowest on record for many years. The following table shows the yield for the period 1956-1964 expressed in tons cane per ton sugar and tons sugar per acre:

<u>Year</u>	<u>Tons Cane per ton Sugar</u>	<u>Tons Sugar per Acre</u>
1956	10.77	3.67
1957	10.39	3.62
1958	11.34	3.73
1959	11.31	3.37
1960	11.18	3.59
1961	10.96	3.18
1962	10.56	3.41
1963	10.76	3.44
1964	11.58	2.86

The ...

The low yield in 1964 was due principally to adverse agricultural conditions. Low rainfall was a major factor during the greater part of the growing season but the prolonged civil disturbances and labour unrest in the industry were contributory factors.

During the last month of the autumn crop there was a significant falling off of the yield on most estates and in particular on those which did not reach their targets. The heavy rainfall during December was the main reason for this decline, although there was some evidence that the reaping of over-ripe cane and of the least productive fields were also contributory factors.

The unusually low rainfall during the growing season, the unusually high rainfall during the harvest season, as well as the subnormal yield may well have frustrated the calculations of the Union as to the ability of the workers to achieve the targets.

(vi) "The Sugar Producers stood to gain if the target was not reached".

The cost of production of sugar in 1964 was disclosed to the Committee during the course of the enquiry as \$186.49 per ton. Mr. Griffin (SPA) at a meeting on

12th...

12th February, 1965, contended that the sugar which had not been made had been scheduled to be shipped to the United Kingdom at £45 per ton. The profit margin on the sugar not produced and not shipped would have been therefore \$29.50 per ton. The tonnage of sugar not made, in relation to targets, loss of profits and bonuses, were as follows:

1. 1,622 tons (target 260,000 tons and bonus 3 days' pay) at \$29.50 per ton = loss of profit of \$49,849.00, compared with bonus of \$451,680 "saved" by not making 263,000 tons.
2. 4,622 tons (target 263,000 tons, bonus of 4 days' pay) at \$29.50 per ton = loss of profit of \$13,349 compared with bonus of \$562,780 "saved" by not making 263,000 tons.
3. 6,622 tons (target of 265,000 tons, bonus of 5 days' pay) at \$29.50 per ton = loss of profit of \$195,349.00 compared with bonus of \$673,880 "saved" by not making 265,000 tons.

Included in the above sums "saved" by the non-payment of the bonuses under 1, 2 and 3 is the estate bonus of 3 days which was saved on four estates as follows:

Enmore ...

Enmore	-	\$ 40,000
L.B.I.	-	\$ 27,300
Leonora	-	\$ 24,100
Uitvlugt	-	\$ 27,000
		<hr/>
		\$118,400
		<hr/>

It is clear that the employers have "saved" considerable sums by the failure of the workers to reach the targets, and had the targets been made the additional profit which would have accrued to the industry would not have offset the additional expenditure due to payment of bonuses. However, the evidence does not in our view establish the allegation that the estates intentionally deprived the workers of the opportunity to achieve the targets.

This analysis of the evidence reveals that -

- (1) The maximum target for 8 days' pay (265,000 tons) was fixed at an unattainable level, having regard to the actual results.
- (2) In relation to the actual results - 258,378 tons reaped and 5,585 tons

carried...

carried forward, i.e. a possible total crop of 263,963 tons - the intermediate target of 263,000 tons (7 days' pay as a bonus) was set at a level which was attainable, but barely so. The October estimate of 265,411 tons and not the December estimate of 265,411 tons should have been used as a basis for fixing the targets.

- (3) The only target which was attainable and which allowed for a reasonable margin between target and possible yield was the target for 6 days' pay, i.e. 260,000 tons.
- (4) Had the intentions of the Factory Manager at L.B.I. been carried out, i.e. to grind off the Autumn Crop in January, then the additional tonnage of 3,340 tons (estimated Autumn yield) or 2,370 tons (estimated Spring yield) would have been made. This would have given an autumn crop of 261,718 tons or 260,748 tons (based on the estimated yield of the crop carried over into the Spring). On this basis the target of 260,000 tons equal to 6 days' pay would have been made.
- (5) Absenteeism was at a high level. Much of this was avoidable as it was within the power and ability of the workers to attend regularly at least on half of the work-days which were available to them. However, work lost due to avoidable absenteeism was about equal to work lost (or the low tonnage of cane cut) as a result of circumstances outside of the control

of...

of the workers, e.g. heavy rainfall, and the reaping of low-yielding fields at the end of the crop. The minimum target of 260,000 tons would have been made if the weather had been more favourable, even if avoidable absenteeism was taken into account. In this connection, the worker ought not to be penalised for non-attainment of the targets due to circumstances beyond his control. The minimum target would have been exceeded if there was better attendance at work by the workers on the days when they had no reason for absence. The estimate tonnage (in terms of sugar) not reaped as a result of unavoidable absenteeism on the estates which did not reach their targets amounted to about 3,000 tons (1,000 tons from "election effects" and 2,000 tons from excessive rainfall).

(6) Since the introduction in 1952 of the Colony annual production bonus, 1964 was the first and only year that the target was not achieved. This, naturally, led to widespread disgruntlement on the part of sugar workers who, apparently, had come to regard the annual production bonus as an annual right and as part of normal wages.

(7) The fixing of the targets on 4th December represents the latest date in any year on which targets were fixed and left little room for workers to make up for any lost ground or to make a special effort to attain the targets under conditions which, later, became unfavourable for cane-cutting, e.g. excessive rainfall, residual fear and tension arising from the disturbances and the year-end holidays...

holidays and post-elections reactions.

- (8) Some estates had already completed or were about to complete their autumn crops when the targets were fixed.
- (9) There were no reservations in the agreement between the Union and the S.P.A. for a review of the targets in the event of force majeure and other circumstances which may have made it impossible for the targets to be reached.
- (10) The Union having agreed to the targets without any reservations, the S.P.A. felt that it was under no obligation to pay a bonus which was outside the agreement.

ACCORDINGLY WE RECOMMEND

1. That a bonus equal to 6 days' pay (260,000-ton target) be paid, that is, a Colony production bonus of 3 days' pay; and an estate bonus of 3 days' pay on those estates which did not reach their targets. This payment is equal to \$451,680 including the following sums on estates which did not reach their targets:

Enmore	-	\$ 40,000
L.B.I.	-	27,000
Leonora	-	24,000
Uitvlugt	-	27,000
		<hr/>
		\$118,000
		<hr/>

N.B.: The payment of an annual production bonus uninterruptedly for a continuous period...

period of 12 years has produced a general feeling among sugar workers the bonus is an integral part of their wages and to which they have a right. The interruption of this payment in 1964 as a result of conditions over which the workers had no control has created much resentment and antagonism among workers.

2. The Colony production bonus should be abandoned and, instead, targets should be set for individual estates only, at the level of payment of 3 days, 6 days and 8 days, in relation to increasing levels of production. The reason for this recommendation is that the principle of an incentive should be confined to circumstances over which the worker or a particular group of workers would have complete control. However, this criterion for an incentive payment is not satisfied by the "colony production bonus". Thus, the worker on any particular estate has no control over and no interest in the performance of sugar workers generally throughout the length and breadth of British Guiana. The workers on a particular estate are interested in their own performance within their own area. In the dispute before the Committee the workers on the majority of the estates where the targets were reached and who were expecting at least an additional 3 days' pay for the achievement of the Colony's target, as had happened for the previous 12 years had their hopes dashed because a minority of estates (4) failed to achieve their targets.

3. Targets for production bonuses should be fixed at the commencement of the autumn crop and in any event not later than 3 months before the end of the crop.

4. Written and signed estimates of production for each estate for the crop should be made available to the Union at the time of fixing of the targets.

B. The Once-for-All Bonus for 1964

Background.

Wage rates in the sugar industry constitute a permanent commitment to pay at agreed levels for work done and are negotiated with the Union on the basis of improving efficiency and productivity, guaranteed long-term markets and estimated proceeds for sugar, having regard to prevailing rates in comparable industries and the rise in the cost of living.

In 1957, however, as a result of the high world price received, the industry agreed to pay to workers a special bonus, called a 'Once-for-All Bonus' as a share of the increased revenue arising from favourable prices received on the sale of sugar on the World Market. In 1960 the West Indies and British Guiana were awarded a favourably priced quota to the United States Market, which added substantially to proceeds and profitability. Bonuses have also been paid for 1961, 1962 and 1963 arising from further favourable prices and profitability in these years.

Set out below is a summary of the amounts agreed upon between the Association and the Union and paid to workers for the years 1957, 1960, 1961, 1962 and 1963:

<u>Year</u>	<u>Agreed Amounts For All Employees</u>
1957	\$1,000,000
1960	\$ 894,709
1961	\$3,000,000
1962	\$2,849,763
1963	\$6,000,000

The Once-for-All Bonus is really a temporary wage increase justified by favourable prevailing conditions which may or may not last. It ensures to the worker an increase in wages while at the same time not committing the industry to a permanent wage increase which might eventually cripple the industry if prices declined and/or costs went up. The nomenclature of the device is unfortunate because workers have come to look upon this as they do upon the other bonuses paid in the industry, e.g. the Annual Production Bonus. It should be described as profit-sharing, which in effect it is.

Once an amount is agreed upon between the Association and the Union for distribution to the workers the following ...

following procedure is at present adopted:

The amount is divided by the total tonnage of sugar produced in the Colony and the bonus per ton is then arrived at. This bonus per ton is then multiplied by the number of tons produced on each sugar estate, and the amount arrived at then is the amount available as Once-for-All Bonus for that particular estate. The total wages for all the workers entitled on that particular estate is then divided into the amount available and the factor is arrived at. The individual worker's earnings for that year are then multiplied by this factor and thus the amount due to each worker as Once-for-All Bonus is arrived at. Where the factor is higher on one estate than another it is indicative of the fact that the yield per acre was good on that particular estate or, in other words, that the production was high.

Consequently, the following formula is applied:

$$\frac{a}{b} \times \frac{c}{d} \times \frac{e}{1} = X$$

- a - Total amount available as Once-for-All Bonus.
- b - Total tonnage of sugar produced in the Colony.
- c - Number of tons produced on each sugar estate.
- d - Total wages of workers on each estate.
- e - Individual worker's earnings for the year.
- X - Workers' Once-for-All Bonus.

By ...

By this system, the bonus is at all times related to the estate's production or the individual's earnings.

The Committee spent a great deal of time listening to evidence and examining minutes by which the Union sought to establish the existence of the alleged formula which they urged should be applied with respect to the 1964 claim.

Analysis of this evidence, however, reveals that

(i) Mr. Tshmael admitted, and indeed emphasized that the amount of once-for-all bonuses was agreed upon as a result of 'horse-trading' between the Union and the SPA.

(ii) The records of negotiations and of the conciliatory talks from 1957-1964 verify that 'horse-trading', i.e. crude bargaining and compromise, was the most important factor involved in the payment of once-for-all bonuses and that the Union was either inconsistent in the use of its alleged "formula" or did not use it at all.

(iii) No consistent basis of computing the once-for-all bonus can be found by analysing the amounts actually paid out during the period 1956-1964. In particular, the Union's alleged formula when applied to actual once-for-all payments does not yield, in any case a product which is equal to, or bears any comparison with the actual once-for-all bonuses agreed to or actually paid out in any year from 1957 to 1963.

(iv)...

(iv) In reply to a letter from the S.P.A. dated 20th March, 1963, the Union in a letter dated 3rd April, 1963, abandoned again their alleged formula based on a price of \$115 per ton for sugar on the free market in 1956, stating: "We shall continue to hold the view that discussions on a once-for-all bonus arising out of the sale of sugar to the U.S. should be made on the consideration of the prevailing world price and the price at which the sugar was sold to the U.S. and also any excess where the prevailing world price is higher than what is considered normal; this difference is an important factor."

(v) In their letter to the employers dated 28th June, 1965, setting out wages and other demands for 1965 (page 1 section 2 of the Union's memorandum, the Union demonstrated further inconsistency by abandoning the formula which they had pressed upon the Committee. In their letter of demand for a once-for-all Bonus for 1965, the Union described such a bonus as "arising out of the sale of sugar to the United States of America which would normally have been sold on the World Market at an average of £21* per ton; from any increase in the world prices of sugar which may occur during the year 1965, the increase being relevant to and to be compared with the world price which has been prevailing in the free sugar markets during the past years, excluding the years 1963 and 1964 when the price had climbed to unusually high levels."

* This was the price current at the time in 1965.

(vi)...

- (vi) In the conciliatory talks of 20th October, 1964, the Union (Mr. Sankar) again demonstrated inconsistency by using inter alia prevailing prices for sugar compared with the cost of production, and by making reference to earnings in excess of normal profits.
- (vii) Although the employers claimed that profitability was the main criterion for determining a once-for-all bonus, they demonstrated inconsistency equal to that shown by the Union in their application of this basis.
- (viii) Despite evidence in support of their claim that profitability or the industry's profit level was the criterion for agreeing to the payment of a once-for-all bonus, the S.P.A. was itself guilty of inconsistency when their negotiator - Mr. Thomasson - stated at the conciliatory discussion of 20th October, 1964, as follows:

"The Association's view was that the figure that ought to be discussed was the sum of \$8,796,402 which was derived by comparing the proceeds between the sale of sugar to the U.S. and on the free market with the sale at N.P.Q. rates."

This statement appeared to introduce yet another formula for the issue of a once-for-all bonus.

- (ix) Yet another example of inconsistency in the S.P.A.'s formula of "profitability" is revealed in the S.P.A.'s

letter ...

letter to the Union of 28th March, 1963, when they referred to the bonus payment of 1962 as having been made up of \$1.5 million as a result of "sales of sugar to the U.S.A. and the balance from the industry surplus."

It is, therefore, clear that the evidence does not disclose the existence of any formula agreed upon between the Association and the Union for arriving at the figure available for distribution as a once-for-all bonus. It may well be that Mr. Ishmael commenced discussions with the 1956 price - which he considered to be \$115 per ton - as a base in his mind, but this was never at any time accepted or even consciously appreciated by the Association. Although the bonus was paid on the occasion of the realisation of unexpected and unusually high profits accruing to the industry as a result of unforeseen high prices from sales of sugar to the U.S. and on the world market (mainly Canada), it is equally clear - whatever might have been the arguments, concessions and horse-trading - that the Association always had its eye on the overall profitability of the industry and only paid a once-for-all bonus where this justified it. Indeed, it would have been unbusiness-like and irresponsible to have done otherwise.

Table XXXI portrays the once-for-all bonus paid in relation to the nett surplus remaining to the industry and its percentage return on the capital employed during the period under review:

TABLE XXXI

Once-for-All Bonus in relation to Capital Employed.

<u>Year</u>	<u>Once-for-All</u>	<u>Net Surplus to Industry</u>	<u>Return on Capital Employed.</u>
	\$	\$	%
1956	-	890,622	2.5
1957	995,960	3,375,966	7.9
1958	-	2,409,310	5.6
1959	-	2,030,800	4.5
1960	890,156	2,461,296	5.3
1961	2,982,253	2,469,526	5.3
1962	2,828,163	3,471,896	7.9
1963	5,958,650	6,557,716	12.2
1964	-	1,177,376	2.1

It will be observed that:

- (a) The Union did not claim a bonus in 1958 and 1959 when the returns on capital was 5.6% and 4.5%, respectively, but that they claimed and were paid bonuses in 1960 and 1961 when the return on capital (after payment of the bonus) was 5.3%. The return on capital for 1964 - 2.1% - is the

lowest ...

lowest since the introduction of the once-for-all bonus and for the period under review.

(b) The years 1957 and 1963 must be regarded as years of extraordinary bouyancy on the markets for this country's sugar and ought not to be taken into consideration for arriving at the industry's normal annual profit average for the period under review. Leaving these years and 1964 out, the average annual profit for the period under review is 5.2%. Again leaving out the exceptional years and 1964, the average annual profit for the years in which once-for-all bonuses were paid is 6.2%.

(c) The return on capital employed in 1964 (2.1%) was the lowest for the period 1956-1964 despite the non-payment of a once-for-all bonus or a colony annual production bonus. If an annual production bonus is paid the return on capital employed would be about 1%.

(d) The nett surplus remaining to the industry in each of the years in which once-for-all bonuses were paid from 1957-1963, if considered as normal profit for the sugar industry, was far in excess (from two to six times) of the nett surplus (without once-for-all bonus) remaining to the industry in 1964. The nett surplus remaining to the industry in 1964 must therefore be considered as subnormal and does not, standing alone, justify the payment of a once-for-all bonus, having regard to the basis on which the bonus was discussed between the Union and the Association in previous years and to the overall profitability of the industry. In short, in 1964 the

industry...

industry did not earn an overall profit above the normal level from which a once-for-all bonus could be justified.

It should be observed, however, that had production been maintained at the level of the previous year - about 320,000 tons - larger sales to the free market would have been possible, additional revenue would have been earned, and a once-for-all bonus would have been possible. But 1964 was a very extraordinary year.

We quote, however, a statement made by Mr. G. S. Bishop, O.B.E., Deputy Chairman of Bookers Agricultural Holdings, Ltd., on 12th March, 1964 -

"As has already been made clear in statements by the B.G. Sugar Producers' Association, the British Guiana Sugar Industry is now facing a most serious situation. Not only has the 1964 crop been drastically reduced by drought, but a million dollars' worth of sugar has been lost through the deliberate burning of cane. More recently, attempts have been made to sabotage factories and other estate installations; an unofficial strike by some workers has been accompanied by intimidation of those who wish to work; and the resultant unrest has now led to violence, with tragic loss of life and injury.

The implications of this state of affairs for the country, no less than for the industry, are obvious. We risk the loss of established markets, through doubt, especially after the troubles of last year, of

our...

our reliability as a regular supplier. Also, at a time when every other sugar-producing country, particularly in the West Indies, is vigorously and rapidly expanding its production - in order to establish the best performance possible against the day when export quotas will be imposed - B.G. may well be left behind. This could only have serious long-term consequences for the industry's current programme to expand production both by cane-farmers and by the estates.

It is against this background that I am paying a brief visit to B.G. in order to have personal consultations with the executives of Bookers Sugar Estates Ltd., and their colleagues in the B.G. Sugar Producers' Association. I am also grateful for the opportunity to express our great appreciation of the efforts of all our employees who are continuing to work under these very trying conditions.

In view of

- (a) the high world price of frees in 1964;
- (b) the severe and unprecedented adverse circumstances - unlikely ever to recur again in such devastating combination - which affected the industry in 1964;
- (c) our recommendation to equate the 1964 U.S. price to the N.P.Q. by an adequate withdrawal from the Price Stabilisation Fund;
- (d) the employers' recognition of, and tribute to the loyalty of their workers who, in the face of violence and intimidation, remained on the job and assisted in averting what might have been an even more crippling result to the industry; and

(e) ...

- (e) the strong probability that had the unusual circumstances not occurred the estimated production would have been achieved, resulting in a profit sufficient to justify the payment of a once-for-all bonus,

we consider the workers morally entitled to a once-for-all bonus for 1964.

ACCORDINGLY WE RECOMMEND

- (i) subject to the acceptance of our recommendations with regard to the use of the Price Stabilisation Fund for 1964, that the sum of \$1,300,878.16 (31,783 tons x (24,958 - 20,895)) which represents the excess of the sale of frees over the N.P.Q. price for 1964 (see Table VI) be made available by the industry for distribution - 2/3 to the workers as a once-for-all bonus and 1/3 to the industry;
- (ii) that the once-for-all bonus be discontinued but that a system of profit-sharing based on the return on capital employed be substituted therefor. The level of the profit at which this would take place should in the first instance be the subject-matter of negotiation between the Association and the Union.

Having regard to our several recommendations, the 1964 surplus would be as follows:

1964 Surplus...

COMPARATIVE MEMORANDUM - UNKILLED

1964 SURPLUS

Surplus after tax:

Sugar	\$1,177,376	
Raw Spirits	<u>670,587</u>	\$1,847,963

Add: From Price Stabilisation Fund .. 929,137

<u>Less</u> income tax thereon	<u>418,111</u>	<u>511,026</u>
		2,358,989

Less: Once-for-All and Annual Production Bonus .. 1,318,932

<u>Less</u> income tax thereon	<u>593,518</u>	<u>725,414</u>
		1,633,575

Add: Adjustment to Property Tax 1,948

1,635,523

Add: Revenue attributed to Rehabilitation Fund .. 688,800

\$2,324,323

WAGES

Table XXXII shows the wages paid in the industry from 1961-1963 and those demanded for 1964 and 1965, and sets out the wage rates in other industries in the country.

TABLE XXVII

COMPARATIVE MINIMUM WAGE - UNSKILLED

		<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
SUGAR INDUSTRY	per day	\$3.00	\$3.16	\$3.45	*\$4.00	*\$4.50
	per hour	37.5	39.5	43.1	50	56.2
RICE DEVELOP- MENT CO. LTD.		2.84	3.94	3.24	* 3.80	* 4.36
		35.5	38	40.5	47.5	54.5
GOVERNMENT		3.04	3.04	3.04	4.00	4.00
		38	38	38	50	50
WATERFRONT		3.82	4.30	4.50	4.92	5.04
		47.8	53.7	56.2	61.5	63
DEMBA		7.20	8.00	8.00	8.00	9.20
		90	1.00	1.00	1.00	1.15
REYNOLDS		7.20	8.00	8.00	8.00	9.20
		90	1.00	1.00	1.00	1.15
BUILDING TRADES		2.56	3.52	3.52	4.08	4.64
		32	44	44	51	58
WIETING & RICHTER		3.04	3.28	3.52	3.74	4.08
		38	41	44	48	51
SPROSTONS		3.76	3.84	3.84	3.84	4.56
		47	48	48	48	57
BOOKERS STORES		--	--	3.20	3.52	?
		-	-	40	44	?
FOUNDRIES		3.76	3.76	3.76	4.48	?
		47	47	47	56	?
B. G. ELECTRICITY CORP.		3.76	4.32	4.32	4.32	5.20
		47	54	54	54	65

* Under negotiations.

The figures in this table were submitted by the Union. They show by and large that while the basic wage in the industry compared reasonably fair with those in Government and minor industrial undertakings during the period 1961-1963, that in 1964 these latter rates in particular Government and the building trade rates, moved away substantially.

Over the same period (1961-1964) rates in the bauxite industry, the waterfront and the Electricity Corporation kept well ahead of the sugar industry. This in our view is not abnormal having regard to the fact that the sugar industry is substantially agricultural.

The comparative wage rates shown in Table XXXIII were submitted by the Association. It will be observed from this that the basic wages in industry compare favourably with the others shown.

TABLE XXXIII
COMPARATIVE WAGE RATES IN INDUSTRIES

<u>Industry</u>	<u>Wage Rates</u> <u>Rate per Day</u> \$	<u>Remarks</u>
<u>B.G. Rice Development Co. Ltd.</u>		<u>Sugar Industry Rates</u>
<u>Mill Employees</u>		
Unskilled Labour	3.20	Unskilled \$3.45-\$3.65
Semi-skilled	3.52	Semi-skilled 3.69- 4.18
Tradesmen Skilled Class II	4.32 - 4.64	Skilled 4.23- 4.94
Tradesmen Skilled Class I	4.80	
<u>Machine Shop Employees</u>		
Unskilled Labour	3.20	
Tradesmen Skilled Class II	4.32 - 4.80	
Tradesmen Class I	5.04 - 5.21	
<u>Building Trade</u>		
Unskilled Labour	2.56	Prescribed rate
Carpenters	3.20 - 3.92	Prescribed Rate
Masons	3.68 - 3.92	" "
Painters	3.20 - 3.60	" "
<u>Commercial Undertakings</u>		
Clerks (over 18 years)	2.78	
Porters	2.78	A draft order proposes to increase the rate to \$21.00 per week (\$3.73 per day).
<u>Clothing Industry</u>		
Tailor	4.45	
Cutter	3.91	These rates are prescribed by Law.
Asst. Cutter	3.55	
Assorter	3.55	
Examiner	2.94	
Layer	2.66	
Pressers and Finishers	3.00	
Machinists	3.00	
Semi-skilled Workers	2.50	
Trainee Machinists	1.86	
<u>Government</u>		
Unskilled	4.00	Rates effective from 1st October, 1964
Semi-Skilled Class I	4.64	
Semi-Skilled Class II	4.32	
<u>Tradesmen</u>		
Skilled Class II	5.04	
Skilled Class I	5.36	

Industry

Wage Rates

Remarks

Rates per day

\$

Cinemas

Operators - First	3.66	Draft Order proposes as follows:-
Second	2.93	
Third	2.72	
General Staff (Over 18)	2.53	<u>Cinemas</u>
Cashier Staff (Over 18)	2.53	
Guard	2.53	
		<u>Group A</u> <u>Group B</u>
		Operators \$4.45 \$3.55
		General Staff 2.83 2.83
		Cashiers 2.83 1.80
		Guards 2.83 2.83

Motor Transport

Grade A (Bus Drivers)	5.52
Grade D	4.80
Grade C	4.00

Mechanics

Grade A	5.36
Grade B	4.56
Grade C	4.50

Servicemen

Grade A	4.08
Grade B	3.36

Match Manufacturing

Porter	4.00	Rates effective from 6th November, 1964
Splint Chopper	4.00	
Splint Dryer	3.71	
Assistant Chopper	3.46	
Machine Operator	3.71	
Main Saw Operator	4.73	
Small Saw Operator	4.45	
Head Case Maker	4.00	
Case Making Assistant	3.46	
Fireman	4.75	

Saw Mill Workers

Unskilled Labourers	3.50	Wages Regulation Proposal made by the Saw Mill Workers Wages Council 24th July, 1965.
Semi-skilled Labourers	3.74	
Skilled Labourers Grade II	3.91	
Skilled Labourers Grade I	4.29	

Rates for commercial undertakings are based on a 7 1/4-hour day.

We agree with the Association that in considering the overall wage conditions prevailing in the industry regard must be had to fringe benefits, and find that the following exist in the sugar industry:

1. Holidays-with-Pay.
2. Annual Production Bonus.
3. Free Medical Services.
4. Sickness Benefit Scheme.
5. House Lots.
6. Interest-free loans for House Building.
7. Week-end Cut and Load Bonus (Cane-cutters).

Plus on some estates -

8. Free transportation to work.
9. Rice Beds at nominal rental.

Plus in some years -

10. Once-for-all Bonuses.

In addition, on many estates modern amenity blocks are available providing canteen, toilet and washing facilities.

All estates, and most sections of the large estates, have Community Centres, Women's and Girls' Clubs and Sports Grounds built from Sugar Industry Labour Welfare Funds. The Welfare Officer and other staff of these Centres are paid from sugar revenue.

Safety Committees, both field and factory, are in...

in operation on all estates and annual Safety Competitions are organised.

Increasing emphasis is being placed on Education and Training. The schemes in operation cover such matters as Apprentice Training, Job Training, Employee Information Courses and an After-Hours Study Scheme which provides financial assistance to employees at all levels to take correspondence and other courses. Awards are made to those who successfully complete their examinations.

The Industry annually awards between 25 and 30 Secondary School Scholarships to children of regular employees. The Scholarships are for 5 years, but in suitable cases extension scholarships are awarded to enable children to continue to G.C.E. "A" level.

Virtually all Foremen and Supervisors and an increasing number of managerial staff in the industry started life as Field and Factory workers.

Table XXXIV compares the employment costs in the industry during the period under review. It will be observed that percentage-wise this was at its highest in 1956 - 51.7%, and at its lowest in 1964 - 42.9%.

Table XXXV...

TABLE XXXIV

SUGAR INDUSTRY - EMPLOYMENT COST EXCLUDING JUNIOR
AND SENIOR STAFF

A. Employment Costs include:

1. Wages
2. Week-end Cut and Load Incentive Bonus
3. Weekly Target Bonus) up to 1960 when these were
4. Half-Yearly Bonus) merged into Wages.
5. Holidays with Pay
6. Annual Production Bonus
7. Once for All Bonus
8. Workmen's Compensation
9. Sickness Benefit - From 1957

B. In addition the following approximate sums are spent annually:

1. Medical Services	- \$500,000
2. Ex-gratia Pensions	- 575,000
3. Labour Transport	- 68,000
4. Workers Welfare	- 350,000
	\$1,493,000

(1) Year	(2) Total Cost of Production	(3) Employment costs "A" above	(4) 3 as % of 2
1956	\$41,822,535	\$21,603,515	51.7
1957	47,722,627	22,791,060	47.8
1958	49,011,044	23,203,366	47.3
1959	46,777,065	22,092,271	47.2
1960	53,292,259	25,504,269	47.9
1961	56,091,290	27,223,862	48.5
1962	53,325,267	25,123,801	47.1
1963	63,742,052	30,880,540	48.4
1964	52,758,288	22,634,857	42.9

Table XXXV is a comparison of the changes in the negotiated price with increases in the cane-cutting and loading rate and other piece workers' rate from 1950, the year prior to the execution of the Commonwealth Agreement to 1964. It will be observed that whereas the Negotiated Price rose by 51 points, the wages in those categories rose by 117 and 101 points.

TABLE XXXV
N.P.Q. Prices Compared with Wage Rates.

	<u>Negotiated Price</u>	<u>Cane-cutting & Loading Rate</u>	<u>Other Piece Workers' Rate</u>
	1950 = 100	1950 = 100	1950 = 100
1950	100	100	100
1951	108	107	107
1952	126	123	121
1953	139	126	125
1954	134	126	125
1955	134	131	130
1956	134	139	137
1957	138	144	143
1958	144	151	150
1959	148	156	155
1960	146	162	161
1961	148	188	175
1962	150	198	184
1963	151	217	201
1964	151	217	201

Table XXXVI is a comparison of the average Annual Wages with sugar production and the revenue per ton of sugar received from the sale of sugar and molasses during the period under review. It will be observed that while the average annual wages increased consistently every year reaching 73 additional points in 1964, production increased gradually, reached its peak of 27 points in 1960 and dropped below the base year by two points in 1964. Revenue fluctuated during the period but only outstripped wages in 1957.

TABLE XXXVI

Sugar Production, Revenue and Wages.

<u>Year</u>	<u>Average Annual Wages</u>	<u>Average Annual Wages</u>	<u>Sugar Production.</u>	<u>Sugar & Molasses Revenue per ton of sugar</u>
		1956 = 100	1956 = 100	1956 = 100
1956	\$ 774	100	100	100
1957	858	111	108	114
1958	924	119	116	104
1959	949	123	108	105
1960	1,118	144	127	101
1961	1,253	162	123	109
1962	1,311	169	124	107
1963	1,616	209	120	142
1964	1,339	173	98	124

As a result of mechanisation and improved efficiency the labour force is smaller than it was, but on the ...

the whole, over the years, those who have remained in employment have had more work available to them, not less. To illustrate this: the average man-days worked of all workers, male and female, has risen from 226.3 in 1956 to 252.4 in 1958 and has remained fairly constant since then at between 241.5 and 255.2. During this same period Average Annual Earnings have risen from \$774 per annum in 1956 to \$1,339 per annum in 1964, the previous highest being \$1,616 per annum in 1963, due to the very large once-for-all paid in that year.

For this purpose, Annual Average Earnings include wages, Holidays-with-Pay, Annual Production Bonus, Once-for-All Bonus and Workmen's Compensation, but do not include other fringe benefits.

Table XXXVII...

TABLE XXXVII

Consumer Price Index as Related
to Minimum Daily Wages.

Year	Time Workers Minimum Rate Per Day	Increase	Rural Consumer Price Index
1956	\$2.06	100	100
1957	2.14	103.9	101.3
1958	2.25	109.2	100.8
1959	2.33	113.1	102.4
1960	2.49	120.9	102.5
1961	3.00	145.6	103.4
1962	3.16	153.3	108.3
1963	3.45	167.5	109.1
1964	3.45	167.5	110.3

N.B.: Of the total increase of wages, approximately 6.5% is attributable to the merging of the Weekly Target and Half Yearly Bonuses into Wages in 1961. The net increase excluding this merger would therefore be 61%.

This table shows that the increase in minimum rate per day for time workers between 1956 and 1964 is 67.5 points. This supports the results in Table XXXVI which reflects increases affecting all categories some of whom may well have received higher...

higher increases than the minimum.

We find, therefore, that since 1956 the earnings of workers in the sugar industry have increased steadily and substantially, far out-distancing both sugar production and revenue. It should be noted, however, that this comparison takes no account of revenue from the sale of raw spirits and the 10 per cent of Capital Expenditure which we recommend should be included in sugar globals. We find, too, that while the Rural Consumer Price Index rose by 10.3 points between 1956 and 1964, average annual wages rose by 67.5 points.

Estimate of Costs.

The cost of the Union's wage and other demands, excluding the Once-for-All and the Annual Production Bonus, as submitted by the Association, is shown hereunder:

Wages Claims Only - 1964 & 1965

1964

1964 Employment Costs - (Exhibit 'FFF')	-	\$22,634,857
Union's Claim \$4.00 minimum unskilled rate, i.e. increase of 15.9%	-	3,598,942
To raise the minimum of the semi-skilled rate to \$5.00 per day would involve a percentage increase of 35.5%		

To ...

To raise the minimum of the semi-skilled rate to \$5.00 per day would involve a percentage increase of 35.5%

To raise the minimum of the skilled rate to \$6.00 per day would involve a percentage increase of 41.84%

The additional cost to the industry would therefore be \$3,598,942 plus the amount necessary to cover the increases in semi-skilled and skilled categories.

1965

Estimated expenditure for the industry \$56,602,900

Estimate of employment costs based on existing wages rates 50% of total expenditure 28,301,450

Union's claim for minimum unskilled rate of \$4.50 per day is 30.43% increase 8,612,131

SUMMARY OF WAGES CLAIMS ONLY

1964	-	\$3,598,942	(in addition to higher % increases to skilled and semi-skilled grades)
1965	-	<u>8,612,131</u>	
		<u>\$12,211,073</u>	

B. Other Claims 1965 Only.

1. Pensions (SPA's memorandum page 39)	\$ 603,000
2. Supplementary Unemployment Benefits (SPA's memorandum page 22 and Exhibit 'TTT' submitted by SPA on 29th September, 1965 - page 2)	5,660,000
3. Holidays-with-Pay and Annual Production Bonus	345,772
4. Medical Facilities	25,000
5. Sickness Benefit	75,000
6. Gratuities	50,000
7. Miscellaneous	25,000
	<hr/>
	\$6,783,772

SUMMARY

1964 - <u>Wages Claims Only</u>	\$ 3,598,942
1965 - <u>Wages Claims</u>	8,612,131
1965 - <u>Other Claims</u>	<hr/> 6,783,772
	<hr/> \$18,994,845

The estimated loss to the industry in 1965 is

\$1,189,027.

While fully appreciating the sociological aspects involved, and in particular the need for better living standards resulting from increased wages, we are of the opinion that improvements in wage rates leading to improvements in standards of living anywhere in the world, whether in an under-developed or an advanced metropolitan country, can only be derived from increased productivity.

After a careful examination and comparison of the existing wage structure and the finances of the industry, we are of the unanimous opinion that because of

- (a) the low production in 1964,
- (b) fall in the 1964 U.S. and world prices,
- (c) the continuing fall in world prices - estimated at \$83 per ton for 1966,
- (d) the increased cost of production,
- (e) the consequent low return on capital invested,
- (f) the continuing effects of the arson, sabotage, and other adverse circumstances in 1964,
- (g) the rise in world consumption of beet sugar and the consequent trend towards over-production of cane sugar,

the industry, if it is to survive, cannot stand the wage increases demanded by the Union for 1964 and 1965. However,

WE RECOMMEND that the possibility of a wage increase for 1966 be negotiated by the Union and the employers as early as practicable in 1966 in the light of the marketing situation and the conditions prevailing at that time, and taking into account the following recommendations of the Committee which, if implemented, will have a positive effect on the industry's surplus:

- (a) Use of the Price Stabilisation Fund.
- (b) Treatment of profits from raw spirits.
- (c) Reduction in export marketing commissions on sugar sales.
- (d) Treatment of the revenue element assessed for the Rehabilitation Fund.
- (e) Increase of local selling price of sugar.

D. Other Demands.

It is to be observed from the history of the negotiations that neither at the joint conferences nor the conciliation meetings did the parties make any real effort to negotiate demands other than wages, a once-for-all bonus and an annual production bonus; and although the memoranda of both parties set out arguments in support of a number of those demands, no evidence was adduced and there was little, if any, discussion on them during

the...

the hearing. We are firmly of the view that these items are therefore still open to negotiation.

ACCORDINGLY WE RECOMMEND that discussions on those items should be resumed between the Association and the Union as early as practicable.

The Committee noted with approbation that during the period under review collective bargaining between the Association and the Union was of a high order, as a result of which a healthy atmosphere pervaded negotiations, and consequently much had been achieved for the workers during the period under review. There was, however, evidence of some degree of suspicion on the part of the Union when it turned out on some occasions that the final industry surplus figures after trading had closed for the pertinent year were in excess of the figures supplied to the Union for wage and other negotiations.

While accepting unreservedly the Association's explanation, WE RECOMMEND that in future all negotiations be conducted on the basis of audited statements of the industry's accounts, and that the minutes of all joint meetings should be freely circulated between the parties and duly confirmed.

SUMMARY OF RECOMMENDATIONS

1. ANNUAL PRODUCTION BONUS.

That the sum of \$451,680 be paid as an Annual Production Bonus for 1964.

2. ONCE-FOR -ALL BONUS.

That an amount of \$867,252 be paid by the Industry to the workers as a Once-for-All Bonus for 1964.

3. INTRODUCTION OF PROFIT-SHARING SYSTEM.

That for the future a system of profit-sharing based on the return on capital employed be substituted for the once-for-all bonus.

4. LOCAL SELLING PRICE OF SUGAR.

Removal of the industry's subsidy on the local selling price of sugar by increasing the local retail selling price of D.C. sugar by $2\frac{1}{2}\%$ per pound and other grades be appropriately adjusted.

5. SPECIAL FUNDS.

Restoration of the original allocations of the levy for the Special Funds as from 1st January, 1964.

A. The Price Stabilisation Fund.

- (a) A withdrawal of \$929,137 should be made from the Price Stabilisation Fund to reimburse the industry for loss sustained by selling sugar to foreign markets other than the N.P.Q. in 1964 and taking into account the fall of production arising from abnormal conditions.

(b)...

- (b) From 1965 onward, the Fund should be used to assist the industry in offsetting losses sustained on sales to foreign non-N.P.Q. markets. Having regard to the strength of the Fund in 1965, withdrawals should be made equal to the loss on sales to foreign (non-N.P.Q.) markets at prices below the normal world price - i.e. the average price for "Frees" for the period 1956-1962, income from U.S. sales in excess of that price to be set off against the loss.

B. Rehabilitation Fund.

The Committee has found that there exists a revenue element in the application by the industry of monies drawn from the Rehabilitation Fund. This has been assessed as equal to 10% of total capital expenditure from self-generated funds of the industry, including withdrawals from the Fund. Accordingly, this amount should be so treated for the purpose of determining the surplus to the industry.

C. Labour Welfare Fund.

We recommend that the demands of the Union under the following heads:

- (1) Pensions,
- (2) Medical Facilities,

should be satisfied from the Sugar Industry Labour Welfare Fund, and that the Union should approach the Committee responsible for administering that Fund as early as practicable.

6. RAW SPIRITS.

Profits from raw spirits should be included in determining the industry's surplus.

7. WAGE INCREASE.

The possibility of a wage increase should be examined as early as practicable in 1966 in the event of the implementation of our recommendations with regard to the treatment of the Special Funds and the profits derived from raw spirits, and/or in the light of conditions then prevailing. The industry cannot afford an increase of wages at present.

8. NEGOTIATIONS.

All future negotiations between the Union and the Association should be conducted on the basis of audited statements. Minutes of all joint meetings should be freely circulated between the parties and duly confirmed.

This Report is unanimous.

21st December, 1965.

Sgd. Percival A. Cummings - Chairman
Sgd. Gavin B. Kennard - Member
Sgd. John Jardim - Member
Sgd. F. Ramprashad - Member
Sgd. W. G. Stoll - Member
Sgd. F. A. Eytle - Secretary